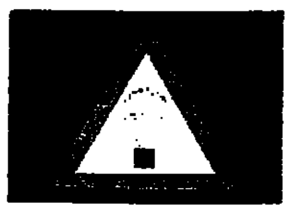
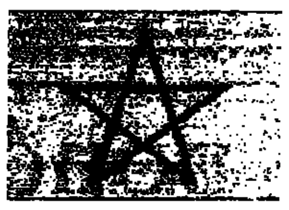
Bondage
Inflation fears unsettle US investors
Page 18

Scott sells up
Tissue boss who hates "corpocracy"
Page 14



Car safety
Technology to save lives
Page 10



Today's survey
Morocco
Pages 27-31

FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY OCTOBER 27 1994 | D8523A

Ford Motor soars to record $1.1bn profits in quarter

The US's second biggest carmaker, Ford Motor, reported record after-tax profits for the third quarter. Overall, after-tax profits jumped to $1.1bn, two and a half times their level of a year ago. The biggest factor behind the increase was a $245m improvement in profits from vehicle sales in North America, which reached $529m. A 17 per cent rise in sales and lower discounts offered to customers drove the improvement. Page 17. Lex, Page 16; Nissan Motor loses appeal, Page 9.

Moscow seeks way of limiting oil damage: Russian officials have flown to the northern region of Komi to head the operation to control an oil spill that environmentalists say could have a disastrous impact on the fragile Arctic environment. Page 16

DuPont chemical profits rise 97%: The world's largest chemical company, DuPont of the US, confirmed the strength of the cyclical upswing in its industry with a 97 per cent jump in third quarter net earnings from its chemical operations overall. Page 17

Garzarelli resigns from Lehman: New York market strategist Elaine Garzarelli has resigned from Lehman Brothers Holdings. An industry source said she was asked to quit as part of cost-cutting measures. She is credited with accurately predicted the 1987 crash.

Britain urged to curb road transport: An environmental commission sponsored by the British government has recommended a doubling of petrol prices in real terms, a halving of spending on main roads, and a big increase in subsidies to buses and trains. Page 16

Cash-for-questions row grows: Opposition leaders in the UK stepped up the pressure on the government as prime minister Mr John Major sought to draw a line under the cash-for-questions controversy by meeting Lord Nolan, chairman of the nascent standing committee on standards in public life.

Bouncing cheques rock Taiwan: For Taiwan's underground financiers and above-ground brokers, yesterday's bounced cheque ratio announcement was bad news – a 10-month high at 0.58 per cent. Page 16

Saab Automobile recovery continues: The Swedish carmaker has announced a SKr284m ($39.4m) pre-tax profit for the first nine months and said it was on course for its first full-year profit in six years. Page 17

Banco Santander is heading for record profits this year after its Pta281bn ($2.2bn) acquisition last April of troubled bank Banco Español de Crédito. (Banesto) Page 17

Brussels in tougher stance on trade: The European Commission is poised to drop its inhibitions about using countervailing duties as part of a tougher approach to tackle illicit trade practices by third countries. Page 4

UK gilts fall sharply: UK gilts prices lurched sharply lower after the Bank of England announced the results of the auction of £2.5bn 8 per cent gilts due 2005. The December long gilt futures contract lost 7/8 point to 99 1/8. Page 24

France tightens Saudi export terms: France has confirmed that it has toughened terms for export credit guarantees with Saudi Arabia in the last few weeks in the light of a reassessment of the Middle Eastern government's ability to pay promptly on its guarantees.

Hijacker frees two crew members: Two crew members were freed from a hijacked plane in southern Russia, leaving only the captain and the hijacker on board, according to the commercial radio station Ekho Moskvy. The hijacker, believed to be acting alone, has already received $2.3m ransom in exchange for releasing 23 hostages and is believed to want another $2m.

Sharp ahead 55% at six months: Sharp, the Japanese consumer electronics manufacturer, increased non-consolidated recurring profits – before extraordinary items and tax by 55 per cent in the first six months to the end-September. Page 23

Competition hits Chinese airlines: Chinese airlines are reporting heavy losses in the face of stiff competition from foreign carriers and a sharp rise in operating costs. Page 6; Iberia tries to avert strikes, Page 3; Australia-NZ 'open skies' cloud over, Page 4.

Anheuser record: Anheuser-Busch cemented its position as the top brewer in the US during the third quarter, reporting record sales and profits as its Bud Light brand became the country's second most popular beer after Budweiser. Page 20

■ STOCK MARKET INDICES		
FT-SE 100:	2,999.9	(-1.0)
Yield	4.23	
FT-SE Eurotrack 100	1,308.71	(+4.71)
FT-SE-A All-Share	1,496.6	(-0.1%)
Nikkei	19,746.35	(+14.20)
New York: lunchtime		
Dow Jones Ind Ave	3,850.59	(0.0)
S&P Composite	462.41	(+0.89)
■ US LUNCHTIME RATES		
Federal Funds:	4 11/16%	
3-mo Treas Bills: Yld	5.134%	
Long Bond	93 11/16	
Yield	8.055%	
■ LONDON MONEY		
3-mo Interbank	6%	(same)
Liffe long gilt future:	Dec 99 1/16	(Dec 99 29/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$16.77	(16.64)
■ Gold		
New York Comex (Dec)	$391.0	(391.2)
London	$389.0	(389.4)

■ STERLING		
New York lunchtime:		
$	1.6345	
London:		
$	1.6326	(1.6367)
DM	2.4412	(2.4419)
FFr	8.3549	(8.3622)
SFr	2.0398	(2.0377)
Y	158.415	(158.531)
£ Index	80.5	(80.7)
■ DOLLAR		
New York lunchtime:		
DM	1.49425	
FFr	5.1265	
SFr	1.2482	
Y	97.045	
London:		
DM	1.4953	(1.492)
FFr	5.1177	(5.1092)
SFr	1.2495	(1.245)
Y	97.035	(96.86)
$ Index	60.7	(60.6)
Tokyo close Y 96.94		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$19	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Esc225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

France ordered to open two internal air routes

By Paul Betts in London, John Ridding in Paris and Lionel Barber in Brussels

The European Court of Justice yesterday ordered the French government to open up immediately two of the country's busiest and most lucrative internal air routes, ending the monopoly of Air Inter, the domestic partner of Air France.

The decision is the second defeat in five months for the French government which has been attempting to delay liberalising its domestic air transport market while it seeks to restructure its loss-making flag carrier.

Last night the government was still seeking to avoid the immediate opening of the routes. Instead, it said it would open them from January next year.

France was forced in June to allow British carriers to fly to Orly airport in the south of Paris after a confrontation with the British government and the European Commission.

After losing the "Battle of Orly", it appealed to the European Court against another Brussels ruling ordering it to open up the Orly-Marseilles and Orly-Toulouse routes by October 27.

But the court rejected the French request to delay liberalising the two profitable routes until later next year and said France "must open the lines… and take the necessary measures to allow this decision to take effect on October 27".

The French reaction could set Paris on a collision course with Brussels over EU air transport liberalisation policy.

Mr Marcelino Oreja, the European Union transport commissioner, yesterday called on France to comply fully with the court ruling. Mr Oreja is understood to be adamant that France cannot be allowed to delay opening up landing rights until January. "The EU is a community of equal rights and obligations before the law," said one Brussels official. "France is not respecting this principle," he added.

Member states and airlines committed to liberalisation are also angry at the Commission's decision to allow the French government to grant FFr20bn ($3.9bn) in fresh subsidies to Air France, as well as approving state aid to Olympic Airways of Greece and TAP Air Portugal.

The British government and seven European airlines filed actions in the European Court this month seeking to annul the EU approval for the Air France state aid.

The French Transport Ministry said in a statement that the government was committed to "gradual and managed liberalisation" on domestic routes.

Australia/NZ 'open skies' cloud over, Page 4

Hussein and Rabin signal new era of co-operation in desert ceremony

Israel and Jordan end 46 years of hostility

By Julian Ozanne on the Israel-Jordan border

Israel and Jordan signed a formal peace agreement on their barren border yesterday in a desert ceremony with blessings taken from the holy books to mark the end of 46 years of hostility.

"It is not just the end of war but the beginning of new co-operation," Mr Shimon Peres, Israeli foreign minister, told the 5,000 guests. "Let's dream together. We've got the licence."

The treaty demarcates the two countries' borders, resolving disputed water claims and fixing security and environmental arrangements. The two nations will exchange ambassadors within a month and begin ambitious joint economic projects.

President Bill Clinton, who attended the ceremony, praised King Hussein of Jordan and Mr Yitzhak Rabin, the Israeli prime minister, and said the treaty had broken the chains that had kept the two countries in the shadow of strife and suffering.

"Here in this region which is the home of not only both your faiths but mine I say: Blessed are the peacemakers, for they shall inherit the earth," said Mr Clinton, who signed the treaty along with Mr Rabin and Mr Abdul-Salam al-Majali.

Mr Rabin said: "The peace that was born today gives us all the hope that the children born today will never know war between us and their mothers will know no sorrow."

Symbolic gestures of reconciliation between former warriors dominated the open-air ceremony. One Israeli in a wheelchair, wounded by Jordanians in the 1967 battle for Jerusalem, wept as Israeli and Jordanian marching bands rubbed shoulders and played their respective national anthems. An Israeli girl and a Jordanian girl, whose grandfathers were killed in the 1967 war, gave flowers to Mr Rabin, King Hussein and Mr Clinton. The Israeli and Jordanian chiefs of staff together with commanders of the air force, navy and southern fronts shook hands and exchanged gifts.

But even as the ceremony took place, Jewish settlers claimed that Arab gunmen had kidnapped an Israeli youth in the West Bank, as Palestinians opposed to the treaty held rallies across the West Bank and burnt pictures of King Hussein. The Lebanese Islamic extremist Hizbollah group sent mortar fire crashing in to northern Israel and denounced the treaty as "a grand crime and treachery".

Mark Nicholson adds from Cairo: Earlier yesterday, Mr Clinton held talks in Cairo with President Hosni Mubarak, the Egyptian leader, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, after which the US president said he was satisfied with Mr Arafat's undertakings to combat Hamas, the militant Islamic Palestinian group.

Calling this a "matter of great urgency", Mr Clinton told reporters that he received a "very firm and unambiguous response" from the Palestinian leader. "Chairman Arafat said he would continue to do all that he could to combat terrorism, specifically Hamas, but other groups as well."

Mr Clinton added: "I believe that he understands that Hamas is his enemy now and that once you become a partner in the peace process, you have to fight for peace."

Clinton aims to ease Israel-Syria deadlock, Page 7

Reuter

Smoke signal: King Hussein of Jordan (left) informally seals his country's peace deal with Israel by sharing a cigarette with Israeli prime minister Yitzhak Rabin after the official signing ceremony

Sweden's Securum to seek $2.8bn in debt package

By Christopher Brown-Humes in Stockholm

Securum, the Swedish state-owned company set up to liquidate Nordbanken's bad loans, launched a SKr20bn ($2.8bn) refinancing yesterday in one of Sweden's biggest non-government debt issues.

The funds will be used to repay most of the loans Securum received from Nordbanken, the state-owned bank, when it took over SKr67bn in sour credits from the bank last year.

The move allows Securum to widen its borrowing base and assists government efforts to privatise Nordbanken, the biggest casualty of the Swedish banking crisis, by reducing its exposure to a single client. Privatisation is expected next year, after formal approval from the newly-elected social democratic government.

Mr Anders Nyren, Securum's chief financial officer, said the company wanted to "position itself in the international markets for future business transactions". He stressed there would only be "a very marginal" increase in the company's funding costs, even though the loans from Nordbanken were granted on a "cost of funds" basis.

Nordbanken will remain Securum's largest creditor, but outstanding loans are expected to fall to between SKr5bn and SKr10bn from nearly SKr23bn.

The two tranches of the programme are backed by the Swed

Continued on Page 16

Tokyo minister under pressure to quit after war comments

By William Dawkins in Tokyo and Tony Walker in Beijing

Japan's government was plunged into a dilemma yesterday over whether to sack one of its most valuable cabinet ministers or risk a serious row with China.

Mr Ryutaro Hashimoto, international trade and industry minister, came under pressure from China to resign over recent remarks about the second world war.

Mr Hashimoto had told the Japanese parliament, in response to an opposition party question, that it was a matter of delicate definition whether Japan had committed aggression against its Asian neighbours during the war.

China's official Xinhua news agency said: "Hashimoto's remarks thrust him into the centre of controversy over Japan's continued reluctance to accept responsibility for the war, an issue that has ended the careers of two ministers this year."

South Korea said that Mr Hashimoto's remark was regrettable.

If he is obliged to step down, the government will lose a senior figure in holding together the three-party coalition of the conservative Liberal Democratic party, left-wing Social Democratic party and the small centre-left New Harbinger party.

Hashimoto: under pressure from China to step down

Mr Hashimoto, a senior member of one of the LDP's main factions, is the government's toughest trade negotiator and an important influence in economic policy.

If he stays, the risks of a row with China are intensified when relations between the two are already difficult. China's relations with Japan became suddenly precarious several months ago, when they were drawn into a protracted wrangle over the presence of senior Taiwanese officials at the recent Asian Games in Hiroshima.

Mr Hashimoto irritated China again only last week by meeting his Taiwanese counterpart, Japan's first formal ministerial meeting with Taiwan in 22 years. The ill health of Mr Deng Xiaoping, the Chinese leader, contributes to inflexibility among Beijing's leaders, unwilling to step out of the official line when a power struggle may be imminent.

Mr Tomiichi Murayama, Japan's socialist prime minister, has sought to defend Mr Hashimoto's war remark, while Mr Kozo Igarashi, the chief government spokesman, maintained yesterday that the comment had been misreported.

The growing queue of Japanese ministers to lose their jobs for their views on wartime history (four in the past eight years) is a testament to Japan's continuing internal divisions over whether it was aggressor or victim.

Mr Hashimoto, 57, on the right wing of the LDP, represents an important minority that feels that Japan's recent wartime apologies should not diminish the honour of its war dead.

He heads an association of bereaved war families and leads a controversial annual visit of LDP colleagues to the Yasukuni Shrine, where war heroes, including some convicted war criminals, are remembered.

CONTENTS

© THE FINANCIAL TIMES LIMITED 1994 No 32,508 Week No 43 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

France ponders superhighway gamble

By John Ridding in Paris

From the network of *trains à grande vitesse* to the construction of a new national library, France has a penchant for *grands projets*. Today, the government will consider a project which could rank with the grandest – the creation of a national *autoroute d'information*, a gallic information superhighway.

Ministers from the relevant departments of Prime Minister Edouard Balladur's government meet this afternoon to discuss a long-awaited report from Mr Gérard Théry, a former managing director of France Télécom and an architect of the Minitel project, the teletext system which now has more than 23,000 services.

Like Minitel at its launch in 1979, Mr Théry's new project is ambitious. His report proposes the establishment of a network of fibre optic cables linking every household by 2015. The aim is to build a national infrastructure allowing the French public and businesses to connect to a network of interactive television, telephone entertainment and data services.

According to Mr Théry, the cost of the infrastructure alone would be between FFr150bn (£18bn) and FFr200bn (£24bn) by the year 2015. Much of the investment, he argues, should be borne by France Télécom, which should switch resources from copper telephone lines to the fibre optic cables needed for the superhighway.

"We are behind not only the US, but also our main partner, Germany," he says, citing the Opal project, which will provide fibre optic connections to 1.2m east Germans by 1996.

The message strikes a chord with the French government. But it has yet to decide how far Mr Théry's ambitious proposals will be transformed into reality.

In his letter commissioning the report, Mr Balladur asked Mr Théry in February to "elucidate" the objectives for France in the area of information superhighways. Officials say the study will lead the debate but that it is not a blueprint for legislation.

But Mr Théry's proposals have also drawn criticism. "There is little analysis of the role of competitors," says one industry analyst. "Telecoms markets are in the process of liberalisation, but there is no mention of any other players except France Télécom."

The report also skirts the issue of how France's programme should relate to that being studied by the European Commission. In particular, Mr Martin Bangemann, the industry commissioner is proposing that private companies rather than governments should take the lead in the development of a European information superhighway.

Some EU member states are pressing for national operators to surrender their monopolies over their national infrastructure. In France, communications and utilities groups such as Bouygues and Générale des Eaux are pressing for increased access to the telecoms market.

More serious, given the central role it has been prescribed by Mr Théry, are the reservations expressed by France Télécom. The state operator is wary of such a bold investment in infrastructure. Mr Marcel Roulet, chairman, says: "Rather than put in place immediately a colossal infrastructure, let us focus on the contents, namely the programmes, which we will be able to offer our future clients."

Behind such sentiments lies a worrying precedent – the *Plan Cable*. Launched in 1982, the plan committed FFr25bn to create a state of the art cable network. But competition from more terrestrial and satellite TV broadcasters, the high cost of subscriptions and the lack of services have all limited demand. France still has one of the lowest rates of cable penetration in Europe.

"France made just about every mistake in cable that it was possible to make," says Mr Gérard Eymery, chairman of the multimedia operations of France Télécom.

The task for ministers today is how to plot a path so that the next *grand projet* of the information era is not such a grand failure.

Italy's ex-communists drawn into corruption probe

By Robert Graham in Rome

Italy's former communists, the Party of the Democratic Left (PDS), is facing a major corruption investigation for the first time. The investigation, which the PDS says is government-inspired, centres on public works contracts awarded in Sicily during the 1980s to communist co-operatives.

Over the last two years magistrates in Sicily have arrested hundreds of businessmen and politicians on corruption charges relating to distribution of lucrative public works contracts. But this is the first time the PDS has been targeted. Mr Massimo D'Alema, the PDS leader, accused the government of orchestrating a campaign to discredit Italy's largest opposition party.

Milan magistrates have undoubtedly singled out premier Silvio Berlusconi's Fininvest business empire in their anti-corruption inquiries. Nonetheless, the PDS has always defended the magistrates' independence against accusation of political bias.

The Sicilian investigation has unusual aspects. It stems from an anonymous denunciation and is being pursued by the carabinieri rather than the judiciary. On Friday the carabinieri asked PDS headquarters in Palermo for a list of all officials dating back to 1980, and co-operatives' offices for a list of all public works contracts in the same period. Earlier, Mr Cesare Previti, defence minister, had hinted the judiciary would soon be turning their attention to the "red trail". And at the weekend Mr Giulio Maceratini, head of the neo-fascist MSI/National Alliance in the senate, invited the carabinieri to search the PDS' Rome headquarters.

The Berlusconi government believes anti-corruption investigations since 1992 have focused little on the PDS and its predecessor, the Communist Party of Italy. Ms Tiziana Parenti, now a parliamentary deputy for Mr Berlusconi's Forza Italia, left the Milan magistrates' anti-corruption team because of a disagreement on this issue.

The matter is one of the complaints against Milan magistrates now being investigated by a special team of inspectors from the justice ministry. These complaints mainly concern the handling of inquiries into the Fininvest group.

Several members of parliament said yesterday in private they did not doubt that most public works contracts in Sicily had been subject to irregularities. But they suggested the move against the PDS was an attempt to ensure government and opposition were seen to be equally entangled in corruption inquiries. This would increase pressure for a political solution to end the investigations.

EUROPEAN NEWS DIGEST

Berlusconi eases pensions pain

The Berlusconi government yesterday agreed on a new decree to ease hardship caused by Italy's pension reform proposals in the 1995 budget. Mr Clemente Mastella, the labour minister, said 100,000 persons were affected and the extra cost in 1995 would be L600bn (£240m). The expense would be met from a treasury contingency fund. The cost of the amendments is lower than first projected; this is largely because the government has shifted the biggest burden of the changes on to the 1996 and 1997 budgets. The government decided to soften some aspects of pension reform in the wake of the huge nationwide demonstrations organised by the trade unions.

The main hardship cases concern those who retired early hoping to collect more generous pensions next year by escaping expected benefit cuts. They risked being trapped by a government decision to stop paying pensions for the first six months of retirement to people who retired between September and February 1995. Now those with 37 years' contributions by July will have uninhibited access to their pensions. The government will also remove the penalty applied to those retiring early if their retirement is postponed to 1996 or in the case of less than 30 years' contributions to 1997. *Robert Graham, Rome.*

Confusion over rouble support

The deputy chairman of Russia's central bank yesterday said it would no longer intervene on the foreign exchange markets to support the rouble – a policy it followed for much of this year at great cost. "The reserves of the central bank are sufficient only to support five or six days of interventions on Moscow's Interbank Currency Exchange." Mr Alexander Khandruyev told an international conference in London. "In August, foreign exchange reserves were $5.2bn. Now we have $1.7bn-$1.8bn left. What do we do next?" However, his comments contradicted those made earlier this week by Tatyana Paramonova, the new head of the central bank, who succeeded Mr Victor Gerashchenko when he resigned after the rouble collapsed after the central bank abandoned its support. She pledged: "Foreign currency reserves, of which the Central Bank of Russia is not the only holder, will be used to defend the rouble rate."

The rouble's 21 per cent plunge against the dollar on October 11 sent that week's inflation rate to a one-year high. Inflation jumped to 6.8 per cent, the highest rate since September 1993, up sharply from the previous week's rate of 2.7 per cent. *Our Foreign Staff, London.*

Prize-winning law students

The final interviews for the Financial Times-Freshfields European Prize for the Best Business Law Student of 1994 were conducted in Frankfurt on Monday. Pictured from left to right are Mr Robin Pauley, managing editor of the Financial Times, (vice chairman of the panel of judges); Mr Okko-Hendrik Behrends, Germany, joint first prize winner; Professor Guido Rossi, Professor of Law, Milan University, (chairman of the judges); Mr Vincent Coq, France, third prize; Mr John Grieves, senior partner of Freshfields; Mr David Chijner, France, joint first prize. The panel of 14 judges assessed the candidates on their knowledge of national law, international private law and European Union directives.

Zeiss workers fight job cuts

Thousands of German workers chanting "out with the management" yesterday protested against job-cutting plans by optical equipment maker Carl Zeiss and demanded that the company's board quit. Mr Edwin Michler, head of the loss-making company's works council, told 4,500 jeering demonstrators at the Zeiss Oberkochen plant in the southern state of Baden-Württemberg the board was not providing enough information about its plans. Zeiss, once renowned for its paternalistic management, wants to shed 3,000 out of 15,900 jobs in plants in east and west Germany by withdrawing from unprofitable business areas to save about DM250m (£102m) by 1996. Mr Michler accused the board of making contradictory statements about the future of various factories.

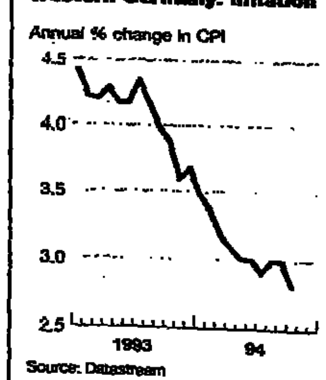
Zeiss management board chairman Mr Jobst Herrmann announced last week he planned to resign. The group lost DM180m in 1993/94 mainly in east Germany's Jena branch. The management says further losses would endanger the company's existence once funds provided to the Jena company by the Treuhand privatisation agency dry up in 1995. *Reuter, Oberkochen.*

Tapie in courtroom battle

Mr Bernard Tapie, the controversial French businessman and politician, yesterday renewed his legal battle against Crédit Lyonnais, the troubled state-owned bank to which he owes an estimated FFr1.2bn (£140m). In a packed courtroom of the Tribunal de Grande Instance in Paris, Mr Tapie's lawyers argued that Crédit Lyonnais should be forced to stick by the terms of a deal it reached with him in March this year to repay his loans over five years. Crédit Lyonnais argues the agreement is void because he did not supply the necessary expert opinions in time to support the high value he claimed for the assets against which the accord was secured. The bank already has custody of many of Mr Tapie's assets, including shares, his furniture collection, his yacht and his house in Paris. Valuations suggest they may be worth substantially less than his debts, with one putting them at FFr300m. Judgment is expected in several weeks. *Andrew Jack, Paris.*

ECONOMIC WATCH

German inflation falls to 2.8%



Inflation in west Germany eased to 2.8 per cent a year in the month to mid-October from 3 per cent in the previous month, according to preliminary data from the federal statistics office. Prices increased just 0.1 per cent in the review period, when rents and the cost of services eased and seasonal food bills rose by less than expected. The data should soothe market fears of any monetary tightening by the Bundesbank, but did not pave the way for an automatic reduction in interest rates, said Mr Richard Reid, senior economist at the Union bank of Switzerland's Frankfurt office. Mr Reid, noting that the strong D-Mark had deflected any upwards pressure from import prices, expected inflation to continue falling. After hitting 2.3 per cent in January it could reach 2 per cent by late summer.

■ Denmark's preliminary unadjusted trade surplus was DKr4.05bn (£425m) in August compared with DKr3.17bn in July. The unadjusted trade surplus for January to August fell to DKr23.7bn compared with DKr26.7bn for the previous year.

■ Portugal's retail sales index rose 1.8 per cent in the 12 months to June, the National Statistics Institute said.

NEWS: EUROPE

Challenge to Russian democracy on the waterfront

John Lloyd reports from the Pacific port of Vladivostok, where both organised crime and the local governor appear out of control

They drive through the streets in Japanese four-wheel drive vehicles, groups of tough young men with cropped hair and leather jackets – the uniform of the gang enforcers. Welcome to Vladivostok, Russia's famed port on the Pacific, where organised crime gangs are hugely powerful and are battling it out for control of port facilities, companies and retail outlets.

In the elegantly restored Versailles Hotel, in the town centre, visiting businessmen speak of all deals having to go through one or other of the local crime families; of nightly shootings; of a wholly corrupt police force.

This is the menacing setting for a drama of great importance in the development of Russian democracy.

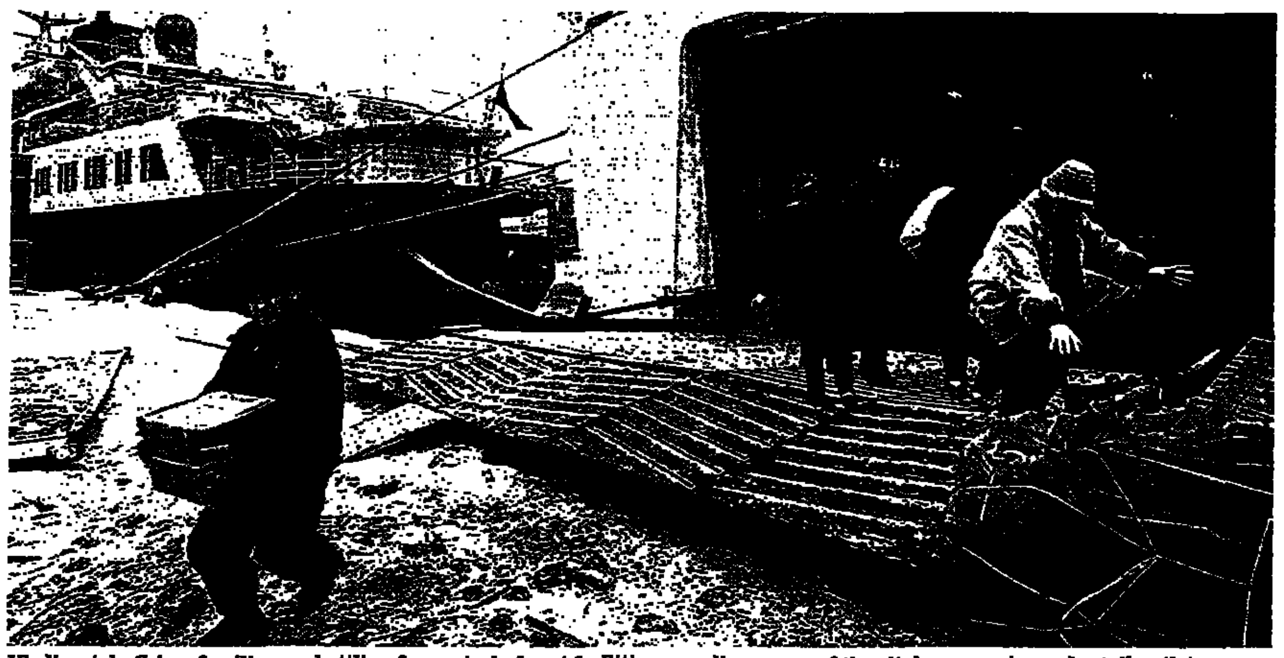
The governor of the Primorye region, of which Vladivostok is the capital, Mr Evgeny Nazdratenko, has been accused of corrupt and dictatorial rule – by local people, by those claiming to be his victims and by external experts. These claims have not, however, been tested in court: they remain a vast, but unproven, indictment of the effectiveness of Russian regional and central government.

On one night last week, Mr Alexander Sviridov, whose Sab corporation was about to open a diamond exchange in the city, was killed in what the Interfax news agency said was probably a mafia killing. Earlier on the same day, Mr Vladimir Cherepkov, son of Mr Victor Cherepkov, Vladivostok's former mayor, was sentenced to seven years in prison for the theft of a computer from his school.

According to opponents to his rule, these disparate events are connected to the central actor in the drama of Vladivostok, Governor Nazdratenko. Mr Nazdratenko was to have stood for election as governor on October 7 (he is presently appointed by President Boris Yeltsin): but the vote was cancelled by a decree issued by Mr Yeltsin last month.

The vote was called off immediately after the receipt of a report, written by experts from the Russia's Choice party (led by Mr Yegor Gaidar) which said that Primorye was "in the grip of fear"; it alleged that Mr Nazdratenko had terrorised political opponents, closed opposition newspapers, taken shares with associates in the bulk of the privatised enterprises and – in his vendetta against former Mayor Cherepkov – trumped up the theft charges against his son after dismissing the father from office on false charges of accepting bribes.

According to Mr Igor Sanachev, a former official under Mr Cherepkov, "Nazdratenko had all the means to ensure that he won the election". This is a judgment shared by others who would not give their names. This assumption of intended ballot-rigging or intimidation was the reason the opposition pressed for a postponement of the election for governor.



Vladivostok: Crime families are battling for control of port facilities as well as many of the city's companies and retail outlets

Mr Sanachev goes further: cancelling the election deprived Mr Nazdratenko of his only chance to survive – the chance of gaining the people's mandate. Now, he believes: "He has served his purpose and he has to go."

That purpose, according to Mr Sanachev and the Russia's Choice report, was to provide an administration which would allow the directors of the large plants to get rich through privatisation and through misuse of government funds. For the past three years, according to Mr Sanachev and the Russia's Choice investigators, Mr Nazdratenko and his allies in a group named "PAKT", had so dominated the privatisation process as to ensure that the largest single portion of shares came to them as directors of the enterprises privatised.

The investigators claimed the "PAKT" group had also gained control of the regional administration and systematically suppressed opposition; had, through the administration, threatened to declare "autonomy" as a Far Eastern Republic in order to cajole more support out of Moscow; and diverted and misused state funding so efficiently that services are only sporadically provided and workers go up to six months without pay.

Mr Nazdratenko was too ill to be interviewed: his deputy governor, Mr Nikolai Pimenov, insisted that corruption was not a problem in the administration and that "autonomy" was simply a desire to agree with Moscow on a special economic status for the region, of the type other regions and republics enjoyed.

But according to the former mayor, Mr Cherepkov, the administration is ruthless. Elected as mayor last year on an anti-Nazdratenko ticket, he was physically removed from his office in May and a substitute mayor put in his place. His son was arrested and charged with the theft. Last Friday, he received seven years' jail – a savage punishment which, his father said, "all agree was a punishment not for him but for the Cherepkov family". Mr Cherepkov says that the judge is a close ally of Mr Nazdratenko and squarely blames the governor for manipulating the case.

He is, however, fighting back. He has already collected 20,000 signatures in protest against the sentence and says he will take the case to Moscow, to President Yeltsin.

But among the crime, corruption and violence, business grows. Mr Sergei Frank is the finance director of Fesco, a privatised shipping line which operates a fleet of more than 160 merchant ships. He oversees a company which, he says, is "free of debt with the capacity to improve the quality of the fleet and the efficiency of our operations". Its shares trade at $90, giving it a market capitalisation of $146m (compared with an implied valuation when first privatised of $4.4m), and he expects a net profit of around $90m this year.

Some 15 per cent of his company is now held by foreign investors, of which Crédit Suisse First Boston (CSFB) and Citibank are the largest: CSFB's research note on the company says its prospects are "inspiring".

Mr Frank will not be drawn too far into comments on the region's administration: by most accounts, Fesco has remained free of the "PAKT" network and of the organised crime groups. "The mafia is concerned with cash businesses: we work with bank accounts. The administration, I would say, is neither very competent nor incompetent: we pay taxes, it doesn't interfere."

Mr Frank's cautious view that the administration allows business to develop is confirmed by Mr Andrew Fox, a young British financier who came to the region two years ago. He has created two investment funds, set up a company which trades on the stock exchange and is investing his own and his partners' money in local enterprises.

"There are some extremely profitable companies here whose shares are increasing in value very rapidly indeed," he says, citing a huge cement plant whose output is greater than that of Australia's.

Mr Fox acknowledges the pervasiveness of the mafia and of violence but, making the same point as Mr Frank, says he runs a cashless business and avoids trouble. "People tell me we could make a lot of money opening restaurants or laundries. We could, but then you're in the mafia territory."

Mr Nazdratenko's continued rule in the region may now be in doubt: the members of "PAKT", bosses of the big local enterprises, are now mainly rich men though many of their workers have no work and little wages and the organisation is riven with infighting.

In the short term, however, disillusion with democracy, perhaps even encouraged by Mr Nazdratenko's hold over the region, may further empower him. Last weekend an election to the Primorye parliament failed when not enough people turned out to vote. Only 20 deputies were elected to the 39-seat parliament, six fewer than the quorum required. Now, Mr Nazdratenko will be able to run the region without a legislature until new parliamentary elections, probably next year.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Iberia tries to avert strikes as financial crisis grows

By Tom Burns in Madrid

Management of Iberia, the Spanish state-owned airline, meet unions today and on Friday in a final effort to avert strikes planned for next month at the financially crippled flag-carrier.

In the midst of the strike negotiations, Iberia is seeking to assure its future viability through a drastic cost-cutting programme and by injecting fresh public funds into the airline. Iberia wants to lower salaries by an average of 15 per cent over the next two years and the Madrid government is due to ask authorisation from the European Union for the provision of new capital for Iberia totalling at least Pta125bn ($1bn).

An Iberia spokesman said yesterday that unless agreement was obtained over the salary cuts and the capital injection, the airline would be technically bankrupt by the spring of next year.

Unions have nevertheless called for strikes over a separate issue that is linked to Iberia's refusal to make up back pay that is due at the end of this month under the terms of a salary agreement dating back to August last year.

Twenty-four hour strikes, which could ground the airline, are initially scheduled for November 3 and 11.

Iberia is on course to lose Pta44bn this year, up from initial estimates of Pta30bn. The salary reductions, along with additional measures, which include shedding 2,120 jobs from the company's 24,456 labour force, seek to save Pta32.3bn. The back-pay agreement, which Iberia says it is no position to honour, represents an additional cost of Pta17bn.

In an effort to stem its losses, Iberia has renegotiated with Airbus, the European aircraft manufacturing consortium, the Pta109bn purchase of eight A-340 long-range aircraft which were due for delivery over the next three years. Under a recent agreement Iberia will lease four of the aircraft and will delay the acquisition of the other four.

The airline is now negotiating the cancellation of a second contract, worth Pta69bn, involving the acquisition of eight A-321 aircraft, a smaller, short-range Airbus. "We can't buy them because we can't pay for them, it is as simple as that," an Iberia spokesman said.

Iberia says that unless it has first managed radically to overhaul its spending, the government will be unable to negotiate new funds for the airline in Brussels. The company was last recapitalised by INI, the public-sector holding company, in 1992 when Brussels authorised subsidies totalling Pta120bn on condition that no more public money be made available to it until 1996.

The company's losses over the past four years, which have in part been linked to an ambitious airline investment programme in Latin America, have effectively wiped out the 1992 capital injection.

Brussels reaches for a tougher trade weapon

By Lionel Barber in Brussels

The European Commission is poised to drop its inhibitions about using countervailing duties as part of a tougher approach to tackle illicit trade practices by third countries.

The new policy stems from small but significant changes in European Union trade regulations which have been tacked on to rules to be adopted as part of the Uruguay Round, the General Agreement on Tariffs and Trade global trade accord.

It also fits into a wider pattern of Europe slowly but steadily strengthening its trade weaponry, a process accelerated by the need to harmonise trade rules within the EU as a result of the single market and the Gatt agreement itself.

Sir Leon Brittan, chief EU trade negotiator, outlined the changes last week in a speech to the toy manufacturers of Europe in which he claimed that Europe had been "too shy" in using countervailing duties to combat unfair traders.

"This is no longer the case and the Commission will react quickly to complaints lodged under the new countervailing regulation," he promised.

In future, the Commission intends to adopt a US-style definition of subsidies which will focus on the "benefit" to the company concerned. Present European rules mean that the Commission assesses the "cost to the government" of providing subsidies. Officials says this last definition is harder to calculate and usually leads to a lower valuation of damages.

"We [the Europeans] were always hampered because the Americans had a tougher definition of subsidies," a trade official said.

However, other Brussels officials acknowledged that the EU had rarely used countervailing duties for fear of provoking retaliation against Europe's heavily subsidised farm exports. The Uruguay Round agreement to cut export subsidies in agriculture meant Brussels would be less inhibited about using this line of attack.

In similar vein, the Commission intends to make it easier for individual companies to seek redress against unfair trade in goods, services, and intellectual property in markets other than the EU. In the past, companies were asked to raise complaints through their umbrella industries.

The Commission said the new measures were "absolutely categorically different" from the controversial Section 301 trade weapon which the US has used to prise open markets.

It emphasised that the EU would resort to retaliation only after exhausting the disputes procedures set out in the new World Trade Organisation. The WTO is due to come into force after the Gatt agreement is ratified, with the target date falling in December.

As part of the Gatt deal reached last December, the EU agreed to strengthen trade weapons, allowing the Commission's preliminary decisions to use anti-dumping or anti-subsidies to become definitive by a simple majority vote in the Council of Ministers. Previously, Commission action could be blocked by a minority of free-trade leaning countries, led by the UK and Germany.

Also, ministers made it harder for free-traders to block Commission use of safeguard measures against imports with which the EU has preferential trade arrangements.

Blocking minorities are still required to invoke safeguard measures against countries with non-preferential arrangements and in the area of textiles.

WORLD TRADE NEWS DIGEST

Skoda unveils new family car

Skoda, Czech subsidiary of Volkswagen, yesterday launched its first new car range since its takeover by the German carmaker in 1991. The Felicia small family car will replace the Favorit range, and comes as the Prague government appears close to allowing VW to take a majority 50.5 per cent stake in Skoda. The German company, which bought 31 per cent in 1991 for DM620m ($413m), is set to take 70 per cent by the end of 1995 with the investment of a further DM780m. VW's abrupt move last year to more than halve its overall investment plan for Skoda by the end of the decade to only DM3.7bn has soured relations with Prague. However, Czech fears about VW's commitment appear to have been calmed by pledges to continue developing a second car range for Skoda, to be launched in late 1996.

Mr Detlev Schmidt, Skoda sales director, outlined ambitious plans yesterday for expanding the company's worldwide sales and distribution network. Dealerships were raised from 1,522 at the end of 1991 to 2,100 two years later and are due to reach 2,500 this year and 4,000 by the end of the decade. The number of markets in which Skoda cars are sold will rise from 20 in 1991 to 57 by the end of this year, and around 36 new ones are under study. It has opened up markets above all in Asia, the Middle East and South America.

The Felicia, developed over the past three years as a far-reaching modernisation of the Favorit incorporating 1,600 new parts, will be the first to be offered with VW engines in some versions. *Kevin Done, Prague*

Asia-Pacific zone confidence

Senator Bob McMullan, Australia's trade minister, yesterday brushed aside reports that China had rejected the idea of setting a binding timetable under which the Asia-Pacific region would move towards "free trade", saying he was "moderately optimistic" a deal could still be achieved. The proposal will be discussed at next month's summit of Asia-Pacific Economic Co-operation forum leaders in Jakarta. Mr McMullan believed there was a "reasonable prospect" China would back the proposal, after discussions between the leaders themselves in Indonesia. The proposal, as currently mooted would require developed Apec countries, such as the US or Australia, to remove trade barriers more quickly than less developed ones, but would see all barriers across the 18-nation grouping eliminated by the year 2020. *Nikki Tait, Sydney*

Contracts

■ Alcatel-Alsthom's subsidiary Alcatel Networks Systems Malaysia has signed a FFr140m ($28m) contract for a high-volume data transmission network to the private Malaysian operator Time Telekom. The equipment includes land and underwater fibre-optic cables almost 5,000km long. It is due to start service in January and be completed in the first half of 1996. *AFX, Paris.*

■ Ipco Constructors, part of Ipco International, has won a $64m contract to build natural gas pipelines in Thailand – 105km of 28in and 5km of 36in steel pipe. *Reuter, Singapore.*

Australia-NZ 'open skies' cloud over

By Nikki Tait in Sydney and Terry Hall in Wellington

A row has broken out between Canberra and Wellington over liberalising the countries' aviation markets. The Australian authorities are refusing to let Air New Zealand start a domestic service within Australia next month.

Under a memorandum of understanding signed by the two in 1992, Air New Zealand was to have gained access to Australia's internal market from November 1. It would have become the third national carrier, competing with Qantas, the government-owned airline in which British Airways holds a minority stake, and Ansett, owned jointly by Mr Rupert Murdoch's News Corporation and TNT.

However, Canberra is claiming that all the memorandum's conditions have not been met. It cites the lack of agreement on "passenger facilitation" arrangements – the idea was that New Zealand and Australia would become borderless and visa and customs checks would be redundant – and on airline ownership and control issues.

The Australian authorities said they were not abandoning the proposed liberalisation in principle, but "freezing" the situation for the present.

In the short term, the row could make life easier for Qantas, which is due to be privatised next year.

Mr Jim Bolger, New Zealand prime minister, said he was surprised at the way Australia's aviation minister had told New Zealand the agreement was being suspended. "He advised us by fax. That is not the way to do business," he said. "The decision doesn't stack up."

Mr Bolger said that Australia had pressed for an open aviation market between the two countries, and there were signed undertakings to ensure it was carried out.

Opposition politicians in Australia also condemned the move, arguing that the government had "unilaterally torn up" the agreement and that such behaviour would have broader consequences for Australia in international negotiations.

Senator Warwick Parer, the opposition's aviation spokesman, said: "Opponents within Apec [the Asia-Pacific Economic Co-operation forum] now have a new weapon to use to take Australia out of the game, or, at best, damage our standing as a creditable negotiator and reliable signatory."

The dispute means the Australian government's much-vaunted commitment to "open skies" looks increasingly hollow. Deregulation of the domestic market has prompted only one new national carrier to take to the skies, and it quickly went out of business.

On the international front, passenger choices have also become more limited as big US and European carriers have pulled out of Australia, and no new Australian airlines have emerged.

In addition, BA and Qantas are seeking to "co-ordinate" services on the important UK-Australia routes, although this deal has yet to win Trade Practices Commission approval.

Japan gets taste for food from abroad

Imports have reached record levels, writes **Michiyo Nakamoto** in Tokyo

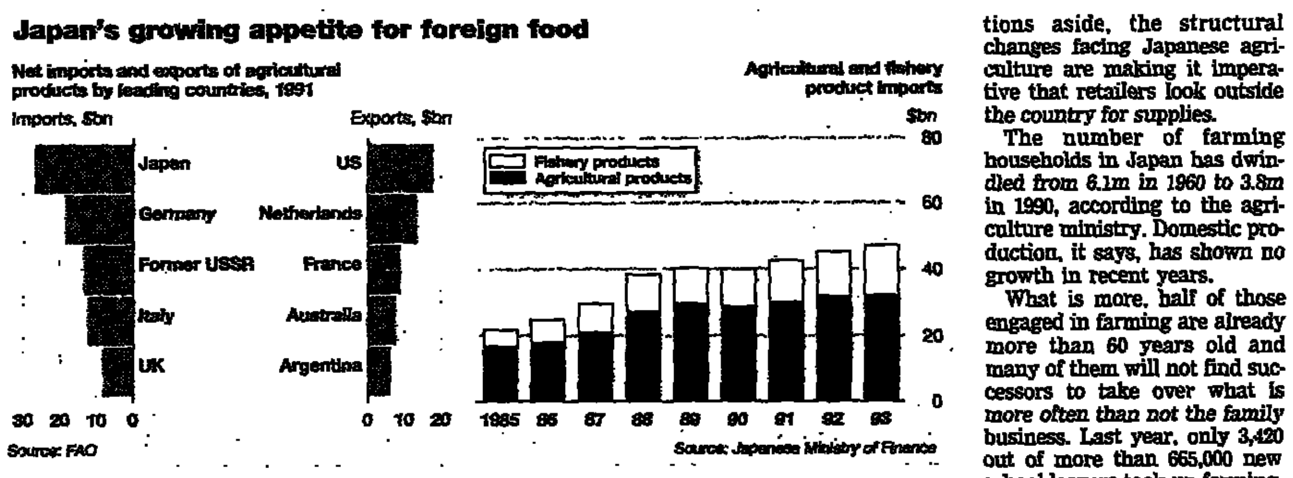
Japan said yesterday it would set up a network of information centres to deal with an expected surge in consumer inquiries, and even complaints, about the safety of foreign foodstuffs as food imports reach record levels.

Even before Japan finalises international trade agreements like the General Agreement on Tariffs and Trade accord, food imports are surging thanks to a strong yen, poor grain harvests in 1993 and a drought this summer.

Three years after Japanese farmers finally lost a fiercely fought campaign to keep the country's markets closed to foreign beef and oranges, a vast range of agricultural products from Kansas steak to Australian carrots and Chinese garlic are entering the country in unprecedented quantities.

This year, Japanese consumers' taste for imported meat, fruit and vegetables has been particularly noteworthy. In the first six months, imports of beef rose 23 per cent, that of citrus fruit 25 per cent, and of vegetables 71 per cent from the previous year, according to Japan's external trade organisation (ETO).

Japan's growing appetite for foreign food



The trend is such that Japan has now become the world's largest net importer of farm products, the agriculture ministry proudly proclaims. In the first half of this year, food imports rose by 18 per cent in dollar terms to $22.4bn, says the ETO. Grain imports rose by 62 per cent and vegetable rose by 29 per cent.

Last year, agricultural imports totalled Y32.1bn ($331m) and fishery imports $14.7bn, according to finance ministry statistics. The US is by far the single largest supplier, with nearly a 30 per cent share of agricultural sales.

Consumer attitudes have changed considerably even since 1991 when the opening of Japan's market to foreign oranges prompted scare stories about excessive spraying, and foreign beef was labelled cheap but of poor quality.

The strong growth in imports has come despite veiled but persistent resistance among the Japanese authorities, whether prompted by vested interests or genuine concerns about retaining self-sufficiency in food.

Japanese regulations demand that cherries, for example, have to be kept under 10 degrees centigrade for 12 days before they can be imported into the country.

Officials sometimes find more vicious ways to obstruct increases in agricultural imports. Daiei, a big supermarket chain, has had whole shipments ruined by customs officials spraying insecticide on the grounds that an insect was seen wriggling under a lettuce leaf. Such sightings did not happen when the retailer imported in much smaller quantities than it does today and tend to occur particularly when it complains in public about the difficulties it faces with the authorities.

"We are importing foreign produce increasingly as regular supplies and not just to supplement what is available domestically," says Mr Minoru Tamura, divisional merchandise manager at Daiei.

The growing difficulty of relying on domestic suppliers alone has recently encouraged Japanese retailers to look abroad increasingly for even basic vegetables such as cucumbers and tomatoes.

Climatic changes, for example, are having a tremendous impact on domestic supplies. This year, in particular, the unusually hot summer took its toll of domestic vegetable supplies, leading to shortages and a surge in the prices of certain products.

But one-off natural aberrations aside, the structural changes facing Japanese agriculture are making it imperative that retailers look outside the country for supplies.

The number of farming households in Japan has dwindled from 6.1m in 1960 to 3.8m in 1990, according to the agriculture ministry. Domestic production, it says, has shown no growth in recent years.

What is more, half of those engaged in farming are already more than 60 years old and many of them will not find successors to take over what is more often than not the family business. Last year, only 3,420 out of more than 665,000 new school-leavers took up farming.

The greying of Japan's farming community and the fewer number of hands available has also meant that, in the words of Daiei's Mr Tamura: "Japanese farmers don't like to grow vegetables that are heavy, like cabbage, and those that require intensive labour, such as tomatoes and cucumbers."

The benefits of increased agricultural imports to Japanese consumers have been tremendous. The shortage of certain vegetables as a result of this year's unusual heat would have led to a surge in prices but "imported fresh vegetables helped stabilise the market," says the ETO. More long-term, opening the doors to imports is helping to bring Japanese food prices closer to international market levels.

Mr Tamura expects more agricultural produce to be imported into Japan as markets are liberated and sees China as a particularly promising source. Self-sufficiency in basic food products is important, he says. "But that doesn't change our policy of buying the best produce from the best source."

Microsoft begins search for Windows partner in China

Microsoft has begun courting local partners to help design and launch the Chinese version of its next-generation Windows 95 software, Reuter reports from Beijing.

The effort to cultivate ties with software developers, industry regulators and the trade press also aims to smooth feathers ruffled during the US software giant's blunt-edged entry to China last year.

While Windows has emerged as the *de facto* standard for four out of every five desktop machines worldwide, Beijing regulators have refused – often indignantly – to accept the Chinese version of Windows as a standard for China.

Microsoft executives admit having alienated key electronics ministry officials by relying heavily on managers from arch-rival Taiwan who looked down on China's less-developed market and by developing the mainland version, nicknamed P-Win, not in China but in Taiwan, which uses a different form of Chinese characters and highly dissimilar methods of keyboard entry.

The company said a Chinese partner would be selected by the end of the year to assure that Windows 95 was available in China within six months of the US version.

It also said that Chinese regulators appeared to have dropped their insistence on protecting the mainland market long enough to allow a home-grown platform to emerge, a tacit acceptance of Microsoft Windows as a *de facto* standard.

Italian leads the field for WTO job

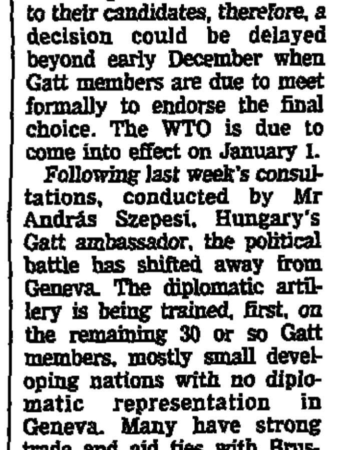
By Frances Williams in Geneva

Mr Renato Ruggiero, the European Union candidate to head the future World Trade Organisation, is leading the three-man field "by a length", according to diplomats.

Of the 90-odd countries so far consulted, about a third back him. A quarter favour Mr Carlos Salinas de Gortari, outgoing Mexican president, with Mr Kim Chul-su of South Korea not far behind.

Support follows broadly regional lines. Mr Salinas has central and south America solidly behind him, with Washington giving support behind the scenes. Mr Kim, South Korea's trade minister, has most of Asia, including Japan and Australia. Mr Ruggiero, a former Italian trade minister, has western and eastern Europe, with a sprinkling of Mediterranean, African and Asian nations.

The decision has to be made by consensus of the 123 members of the General Agreement on Tariffs and Trade. If the three regional blocs hold firm to their candidates, therefore, a decision could be delayed beyond early December when Gatt members are due to meet formally to endorse the final choice. The WTO is due to come into effect on January 1.



Mr Renato Ruggiero: ahead "by a length"

Following last week's consultations, conducted by Mr András Szepesi, Hungary's Gatt ambassador, the political battle has shifted away from Geneva. The diplomatic artillery is being trained, first, on the remaining 30 or so Gatt members, mostly small developing nations with no diplomatic representation in Geneva. Many have strong trade and aid ties with Brussels through the European Union's Lomé Convention and are likely to back Mr Ruggiero.

Another line of attack involves securing the second preference votes of trailing candidates. Both the EU and the Salinas camp have hopes of picking up Asian backing, on the assumption that Mr Kim will drop out of the race first.

EU officials believe the Asians would rather support Mr Ruggiero than Mr Salinas, who is vulnerable to criticism that he is too close to the US and too "presidential" to run a technical organisation.

However, trade officials expect Mexico and the US to launch a big diplomatic offensive at the November 14 summit meeting of the Asia Pacific Economic Co-operation forum to win Apec endorsement for Mr Salinas.

● The EU and 46 developing African, Caribbean and Pacific nations are to ask Gatt's governing council for a waiver from fair trade rules for the Lomé Convention when the council meets on November 10.

The long-resisted decision to seek a waiver follows two Gatt dispute panel reports which have condemned as discriminatory EU banana import quotas designed to favour ACP countries. A recent Gatt working party report on the fourth Lomé Convention also revealed deep divisions in the world trade body over its Gatt compatibility.

Though Lomé members maintain the convention is consistent with Gatt rules, they are clearly worried by the possibility of further challenges to the banana regime under tougher WTO dispute settlement procedures.

US orders show modest increase

By Jurek Martin in Washington

US durable goods orders rose by a modest 0.1 per cent in September compared with August, mostly because of big new contracts in the defence sector. The month saw a 21.7 per cent increase in orders for military ships and tanks, more than twice the 10.8 per cent advance of the previous month.

Last month's increase in the overall index, according to the Commerce Department, is the second in a row, the seventh this year and the 12th in the last 14 months. New factory orders are 14 per cent above the level of the corresponding month last year, while the third quarter result produced a 1.5 per cent increase on the April-June period.

The volatility in defence orders has produced large swings in durable goods orders in recent months. The August performance was yesterday revised upwards to a 6.4 per cent gain from 6.1 per cent, while in July orders dropped by 3.9 per cent.

Defence buying meant that the transportation component rose 2.1 per cent in September. Excluding this sector, the index dropped 0.6 per cent, after a 2.5 per cent rise in the previous month, with orders for industrial machinery and equipment falling by 2.5 per cent.

New orders for non-defence capital goods, a more reliable indication of the state of manufacturing, rose 0.5 per cent in the month, following a 3.4 per cent increase in August.

● The modest rise in durable goods orders was in keeping with the picture of continued robust economic growth, US analysts said yesterday, agencies add from New York and Washington.

"There is still a lot of momentum in the economy," said economist Ms Cynthia Latta of DRI-McGraw Hill, an economic forecasting company in Lexington, Massachusetts.

Kennedy pulls back from abyss

Reports of senator's political death could be premature, writes Jurek Martin

A jubilant Senator Edward Kennedy gestures to his supporters after his debate with Mitt Romney *Associated Press*

US MID-TERM ELECTIONS November 8

Suddenly it seems that Mr Edward Kennedy, in his 32nd year as a US senator, can look forward to another six in Washington representing his native Massachusetts. He emerged relatively unscathed from his first televised debate with Mr Mitt Romney, his Republican challenger, on Tuesday night. Simultaneously two local polls gave him leads of 12 and 18 points, a vast improvement on last month when his edge had all but evaporated.

The prospect of liberal Massachusetts voting against one of the great liberals in the Senate had been unthinkable. The state and the Kennedy name have been indivisible for generations, with his hold on office not even seriously threatened by the 1969 tragedy of Chappaquiddick when he drove a car off a bridge and a young woman companion drowned.

Yet, however improbably, he had appeared to be in trouble as the Republicans went after the three great liberal scalps they would love to remove from office – Mr Kennedy, Governor Mario Cuomo of New York, and, in the state of Washington, Mr Tom Foley, Speaker of the House.

The senator's particular vulnerability stems partly from his political longevity in a year when incumbency is a dirty word and, partly, because, at 62 and overweight, his image as a tired and ageing satyr looked as if it were catching up with him. Mr Romney certainly offered a contrasting candidacy. He is the wholesome 47-year-old venture capitalist son of Mr George Romney, former governor of Michigan who was well in the running for the 1968 Republican presidential nomination before he confessed to having been "brainwashed" into supporting the Vietnam war.

Though a political neophyte, Mr Romney's policy prescriptions – more business and less government – challenged Mr Kennedy's belief in the efficacy of government. Conservative positions have, after all, taken root even in Massachusetts, with Governor Bill Weld, the Republican, not only popular but virtually certain of re-election next month.

Thus, barely two weeks ago, the columnists had begun to foresee Mr Kennedy's demise. From the right, Mr George Will gleefully proclaimed: "Massachusetts may be the Jurassic Park of American politics where the dinosaur of liberalism lumbers on oblivious to the fact that its era has long since past. But the Tyrannosaurus Rex is endangered."

From the left, Ms Ellen Goodman found "a whiff of defeat in the fall air" in a race "that looks more and more like a beauty contest". She quoted a sad Kennedy supporter saying "he looks like a homeless man in a thousand dollar suit".

What has happened is that Mr Kennedy has begun to fight – and with plenty of assistance from outside the state. President Bill Clinton, whose ratings in Massachusetts are the highest in the nation, has already campaigned with the senator once and plans to do so again. The Kennedy he knew, Mr Clinton said, was not some liberal ideologue but more capable than any Democrat in the Senate of persuading Republicans to come out of the bunker of eternal resistance.

Mr Kennedy was certainly combative in a sharp and often rancorous debate on Tuesday night. When his opponent accused him of making profits on a Washington real estate deal "at the taxpayers' expense",Mr Kennedy shot back, invoking the tragedies that have visited his family. "Mr Romney, the Kennedys are not in public service to make money. We have paid too high a price."

Mr Romney gave as good as he got. When Mr Kennedy charged he had refused healthcare to part-time employees, the Republican said the Kennedy family had done the same at one of its businesses.

The post-debate scorecards mostly pointed to a draw, but, as one Boston political seer put it: "If Kennedy didn't lose, he won, and if Romney didn't win, he lost."

Cuba reforms extend to consumer goods

By Pascal Fletcher in Havana

Cuba's hard-pressed consumers, still digesting the novelty of farm produce markets opened on October 1, received a further dose of free market economic reform yesterday when the government authorised a similar system to sell scarce manufactured and consumer goods.

Individuals and local state industries will now be able to sell goods directly to the public with traders, not the state, setting prices. A government decree said the goods would be offered through a network of shops, street markets and other authorised public vending points.

"People will be able to sell absolutely everything," a commentator on state-run Radio Rebelde said. He gave as examples furniture, mattresses, household articles such as brooms and window blinds, spare plumbing parts and clothes.

As with the farm markets, vendors will have to pay a tax on sales.

The markets selling manufactured and consumer goods – which, like the farm markets, will operate in Cuban pesos – indicate a further easing of the state's grip on economic production. They will also create more opportunities for self-employed private manufacturers and crafts people. These were authorised to operate on a limited scale late last year and had started selling their wares at a small number of street market sites, which are expected rapidly to increase in number.

Chronic shortages of even the most basic consumer articles have been a headache for Cubans for years. Problems worsened after 1990 when local manufacturing was hit by the collapse of Cuba's preferential trade relations with the former Soviet bloc. The continuing US trade and financial embargo applied an additional squeeze.

Cubans turned to the black market, where an army of clandestine seamstresses, tailors, plumbers and mechanics sprung up.

The farm produce markets have been well received by Cubans. Not only have shoppers been able to stock up with food staples, but prices are well below those in the black market.

Authorities say the farm markets are easing food shortages and have dealt a blow to the black market. But they add it will be six months or more before they will be able to assess whether the markets have stimulated food production, particularly by small farmers.

AMERICAN NEWS DIGEST

ID card warning for California

All Californians would have to carry identification cards to prove their citizenship if voters pass a proposition to cut services to illegal immigrants, Governor Pete Wilson says. In an interview with the San Francisco Chronicle yesterday, Mr Wilson rejected the idea that people born in the US might resent having to carry an ID card. "If you are a legal resident you have absolutely nothing to fear," Mr Wilson told the newspaper. "It has nothing whatsoever to do with eye or skin colour. You are reasonably suspect if you cannot provide documentation that you are in the country legally."

The card is not part of Proposition 187, a measure on the November 8 ballot that would deny illegal immigrants in the state public schooling and most health and welfare benefits. However, Mr Wilson said he believed it would be needed to enforce Proposition 187 if the measure were approved by voters.

Mr Wilson, who has emphasised Proposition 187 would not affect emergency healthcare, has made support for the proposition a plank in his re-election platform. His Democratic opponent, Ms Kathleen Brown, opposes it.

Mexico has protested over the proposition, saying its implementation would damage US-Mexican relations. *AP, San Francisco*

US emergencies turned away

Some US hospitals are still refusing to treat emergency patients unable to pay for medical care, despite a federal law forbidding the practice of "patient dumping". A consumer group, Public Citizen's Health Research Group, reported yesterday that 86 hospitals in 22 states were cited by the federal government for refusing to treat emergency patients for non-medical reasons during 1993 and the first quarter of 1994.

Ms Joan Stieber, co-author of the report and a lawyer with the health research group, said the organisation believed many incidents of patient dumping went unreported and that no state or region was exempt. Under a law passed in 1986, hospitals are forbidden to deny for non-medical reasons treatment to any emergency patient or woman in labour. "Enforcement is only touching the tiniest tip of the iceberg," said Ms Stieber. "On the whole, we think this is a pretty consistent problem across the country." *AP, Washington*

Canadian inflation to stay low

Canada's economic growth appears to be continuing at a vigorous pace, but the underlying rate of inflation is expected to remain low, the Bank of Canada said in its autumn review.

"Economic activity expanded at more than 5 per cent in the first half of the year, and the economy appears to be continuing to grow at a vigorous pace," the bank said. "It is estimated that, in spite of the rise in capacity utilisation, the economy has room to expand at a growth rate above potential for some time."

The underlying rate of inflation had remained in the lower part of the "inflation-control target band" and was expected to remain there, the bank added. Excluding indirect taxes and movements in the food and energy components, the 12-month inflation rate had remained at about 1.7 per cent, the bank said, using data to September 23. Economic activity expanded at an annualised rate of 6.4 per cent in the second quarter. "Over the balance of the year, output should grow at a solid, although somewhat slower, pace." *Reuter, Ottawa*

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

N Korean army faces changeover

The arrival in France for medical treatment of Marshal Oh Jin-u, North Korea's defence minister, may provide an opportunity for Mr Kim Jong-il, the country's new leader, to assert his authority over the military and curb its possible opposition to his rule. It is believed that the visit of Marshal Oh, 77, who ranks second in the North Korean hierarchy behind Mr Kim, indicates his condition has become serious. He is the chief representative of the conservative old guard that created North Korea in the late 1940s.

The North Korean defence ministry, in a rare show of independence last month, publicly rejected a US demand for special inspections of suspected nuclear facilities, which Pyongyang subsequently accepted as part of the accord signed last week.

Marshal Oh would normally be replaced by General Choe Gwang, chief of the general staff. But Gen Choe is believed to be an opponent of the recent US-North Korean agreement to settle the dispute over Pyongyang's nuclear programme. Analysts believe Mr Kim may appoint General Oh Guk-ryol as head of the military. Gen Oh, seen as Mr Kim's chief military supporter, advocates a more professional military by reducing the role of political officers. *John Burton, Seoul*

Builder plans to replace bridge

Dong-Ah Construction, the builder of the Seoul bridge that collapsed last Friday, plans to construct a replacement at its own expense. The offer of a new bridge, which will cost $190m (£117m), is meant as a public apology for the accident that killed 32 persons, according to Mr Choi Won-suk, chairman of Dong-ah, South Korea's third biggest construction company. Dong-ah, which had a net profit of Won20bn (£15.4m) on sales of Won1,531bn in 1993, also plans to donate Won10bn to Seoul to maintain existing bridges in the city. *John Burton, Seoul*

S Africa election reforms urged

The Independent Electoral Commission, which managed South Africa's national and regional poll last April, has recommended to the government it urgently implement a set of electoral reforms. The move comes amid rising concern that South Africa's forthcoming local elections may have to be postponed because of logistical difficulties. In a formal report released yesterday the IEC admits that poor organisation and planning had forced it to jettison many of its safeguards against possible voter fraud and ultimately included large numbers of votes not properly verified in its final results. *Mark Suzman, Cape Town*

Australian inflation at 1.9%

Australia's consumer price index rose 0.6 per cent in the September quarter, bringing the annualised inflation rate to 1.9 per cent. The figure represented little change from the previous quarter when the CPI rose 0.7 per cent, and the annualised rate stood at 1.7 per cent. It was also in line with market expectations, although some nervousness was generated earlier in the week when the Reserve Bank of Australia increased interest rates by one percentage point. The move was interpreted as a pre-emptive strike designed to keep inflation under control.

Despite the reassuring figures, bond prices weakened yesterday, with some analysts suggesting the inflation figures may now deteriorate. They noted that the severe drought gripping east coast farm areas has so far been largely deflationary as farmers "de-stock", but could have inflationary consequences as produce supply tightens. *Nikki Tait, Sydney*

Chinese airlines struck by bruising losses

By Tony Walker in Beijing

Chinese airlines are recording heavy and unprecedented losses in the face of stiff competition from foreign carriers and the effects of a sharp rise in operating costs.

The Economic Information Daily newspaper reported yesterday that China's airlines were in a "deep valley" with six out of the country's nine main carriers reporting losses in the first eight months of the year.

The slide in Chinese airline fortunes risks slowing anticipated surging demand for new aircraft, with Boeing and Airbus having geared up to supply hundreds of aircraft over the next 15 years.

Economic Information Daily quoted aviation officials as calling for stricter controls to be placed on new aeroplanes and new airlines. China had approved some 28 airlines by early this year, but has instituted a freeze following a series of crashes in 1993.

The newspaper said that in the first quarter Chinese airlines operating domestic and international services from Beijing airport carried just 35 per cent of passengers. An increasing proportion of Chinese preferred foreign carriers to local airlines.

Chinese airlines suffered a serious drop in traffic on the lucrative Hong Kong route with load factors plummeting 10 percentage points to 60 per cent in the first quarter compared with last year's average. China's competitors were flying near to capacity.

"A historical change occurred in China's aviation market late in 1993 when a seller's market that had lasted for two decades turned into a buyer's market," Economic Information Daily reported.

China's airlines reported 20 per cent increases in passenger traffic in the past two years, and this rate of growth was expected to continue for the next four years, slowing to 15 per cent towards the end of the century.

The newspaper blamed the unification at the beginning of the year of China's exchange rate resulting in an effective 50 per cent devaluation of the yuan for some of the airlines' woes. The devaluation added dramatically to costs, including leasing and fuel which rose by 25 per cent this year. Other factors included a credit squeeze instituted in mid-1993 and aimed at slowing an overheating economy.

The paper also blamed the poor safety record of Chinese airlines for the fall-off in passenger numbers. China experienced at least four serious air crashes in 1993 in what proved a disastrous year for Chinese aviation.

Aerospace companies, which have made heady forecasts of demand, may now be obliged to revise their estimates. Boeing had predicted China would purchase some 800 aircraft at a cost of $40bn (£25.3bn) by the year 2010, while Airbus had estimated a more conservative 620 aircraft.

A slowdown may also affect foreign airlines' plans to become involved in joint ventures in China. The world's big carriers have been scouring China for opportunities since Beijing announced early this year that it was opening its aviation sector to foreign participation.

Sri Lanka's prime minister, Mrs Chandrika Kumaratunga, (left) offers condolences to Mrs Sirima Dissanayake, widow of murdered presidential candidate Gamini Dissanayake. The two women will contest the presidential election on November 9. Reuter

Asian economic growth forecast at 7.3% in 1995

By Jose Galang in Manila

Asia will continue to outpace global economic growth next year, even though its projected expansion in gross domestic product of 7.3 per cent will be slightly lower than this year's 7.8 per cent, according to latest estimates by economists at the Asian Development Bank.

China is forecast to record a 9 per cent growth rate, down from 11.5 per cent this year. That figure is topped only by Vietnam's 9.6 per cent expected growth.

Collectively, the region's newly industrialising economies (Hong Kong, South Korea, Singapore and Taiwan) are expected to turn in a slower growth of 6.9 per cent, from this year's 7.1 per cent.

The developing economies of South-East Asia (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) are forecast to advance by a higher average rate of 7.7 per cent, from this year's 7.3 per cent, according to the ADB.

Mr Malcolm Dowling, assistant chief economist at the Manila-based ADB, attributes the continued expansion mainly to "the modest recovery" in global production that will push up overall demand.

Mr Dowling presented these forecasts at the opening yesterday of a three-day ADB workshop on Asia's economic outlook. Representatives from the World Bank and the International Monetary Fund also presented studies pointing to a "broadening" and "acceleration" of the nascent recovery in industrial economies.

Economists from the three institutions said the current turbulence in world financial markets will not jeopardise the continuing growth in Asian economies. Mr Dowling cited particularly the Asian economies' strong savings and investment rates that have been instrumental in achieving steady growth records.

The ADB study also noted the "phenomenal" rate of net resource flows (including grant aid) to the developing countries of the region.

Thai business chief named as foreign minister

William Barnes reports on fears of conflict of interest

Thailand's new foreign minister, whose appointment was confirmed yesterday as part of a cabinet overhaul, is an unelected businessman whose corporate involvements are prompting criticism that he is vulnerable to conflicts of interest.

Mr Thaksin Shinawatra, aged 45, is one of the country's wealthiest and most dynamic businessmen. His telecommunications empire has thrived on his ability to win government contracts and franchises, and is expanding rapidly in Thailand and the region.

He has been appointed because Mr Chamlong Srimuang, founder of the Palang Dharma (Buddhist force) party, has risked seeing his political creation break apart by replacing all of his party's 11 ministers in an attempt to boost its popularity. The five coalition parties are permitted to fill their cabinet allocations largely as they see fit.

Mr Vichit Surapongchai, former president of Bangkok Bank, picks up the important transport and communications portfolio; this has caused less comment because he is seen as a professional business manager brought in to deal with a specialist field.

Mr Chamlong himself takes up formal political office – as a deputy prime minister – for the first time since he was swept into power as a corruption-fighting governor of Bangkok in the 1980s.

There are fears Mr Chuan Leekpai, prime minister, will have to use all his diplomatic skills to prevent the unpredictable Mr Chamlong driving the five-party coalition into crisis as he tries to score political points over this government's final two years of its term.

Mr Thaksin has resigned as chairman of his Shinawatra group in favour of his wife. But each retains 25 per cent of the holding company, Shinawatra Computer & Communications, which has a market capitalisation of $4.2bn (£2.58bn).

"If we interpret the constitution by the letter of the law, he is OK. But the spirit of the law is that you don't want a person to hold high position in order to benefit from it. This is a problem that could explode at any time," said Prof Likhit Dhiravegindra of Thammasat University's political science faculty.

Mr Thaksin's predecessor as foreign minister, the former intelligence chief Mr Prasong Soonsiri, is furious and vengeful after being dumped by his party leader for a fresh face.

Diplomats, however, say that Mr Prasong foreign policy was often obscure if not muddled, and argue that Mr Thaksin has an opportunity to sharpen up Thailand's handling of foreign affairs.

Airlines resume flights to India

By Shiraz Sidhva in New Delhi

Eleven airlines yesterday announced resumed flights to India after the World Health Organisation declared most of the country plague-free.

Air India, the international carrier, has been allowed to resume its services to Dubai and Doha, while Emirates (Dubai's airline), Gulf Air and Kuwait Airways have also resumed their Indian services after nearly a month.

But Abu Dhabi, Sharjah and other members of the United Arab Emirates, as well as Pakistan, Bangladesh and some Russian and central Asian countries, have yet to lift the ban on flights.

The Indian government expressed relief when a team of WHO experts indicated no evidence existed that plague had been transmitted in Bombay, Calcutta, Madras or Delhi, and these cities could be considered plague-free. But the UN organisation has recommended continued precautions while travelling to Surat in Gujarat and Beed in Maharashtra.

The government has confirmed only 55 plague deaths, but health organisations hope authorities will heed it as a warning to improve India's inadequate health system.

Worst hit by the plague panic are exports of fresh food. Officials admit that exports of perishables have fallen sharply, though no figures are yet available. India depends on the Gulf countries for 70 per cent of its exports of fruit, vegetables, meat, and seafood, which last year totalled $177m (£118m), and were expected to reach $200m this year. One estimate calculates the ban by Gulf countries has cost India more than $6m a day.

Last year, trade between the Gulf states and India exceeded $3bn, including $2bn-worth of Indian exports. "We have lost over a month of business due to the plague scare," says Mr Bilal Lone, who imports non-ferrous metal scrap from the Gulf to India.

The Indian Commerce ministry is optimistic that trade with the Middle East will return to normal with the restored air and sea links. "The specific impact of the plague scare on trade will be clear when the figures for October are released next month," a ministry official said.

Travel experts estimate cancellations of up to 40 per cent of tourism arrivals this year, the plague scare having coincided with the peak tourist season. "India's plans to increase tourism arrivals from 1.82m in 1993 to 5m by the year 2000 have been badly hit," a tourism ministry official said.

Clinton aims to ease Israel-Syria deadlock

By Mark Nicholson in Cairo

President Bill Clinton's brief visit today to Damascus, only the second undertaken by a US leader in 20 years, is rich in symbolism. But, as he stressed yesterday, it may prove light on substantive moves to resolve enduring differences between Israel, seeking a full peace with its neighbour, and Syria, which wants a full return of the Israeli-occupied Golan Heights in exchange.

"I expect we will make some progress to narrow the gap," Mr Clinton said of today's talks with President Hafez al-Assad, Syria's leader. "But I do not expect it to produce a dramatic breakthrough."

Expectations for Mr Clinton's visit are running high in Damascus. "There's a popular feeling here that this could unjam things. The average Syrian seems to believe this trip is about the most significant thing that could happen just now," a western diplomat in Damascus said.

Diplomats say the Syrians hope Mr Clinton may come bearing some Israeli concession on the Golan, or may grant Mr Assad a long-sought bilateral concession, such as erasing Syria from the list of states viewed in Washington as sponsors of terrorism.

Mr Clinton has indicated neither is likely. "Terrorism is still an issue between our two countries," he said yesterday. "But the most successful way to end terrorism in this part of the world is to have a comprehensive peace". His implicit message in visiting Mr Assad seems to be that such prizes as removal from the terrorist list and further improvements in US-Syrian relations can come, but only once the peace with Israel is sealed.

Mr Clinton's arrival in Damascus, a late addition to a regional swing built around yesterday's Jordan-Israel peace ceremony, will be received in Syria as the greatest possible acknowledgment of Mr Assad's regional stature and Syria's importance to any lasting peace. "The symbolism of that cannot but help, even if it will not on its own produce the goods," a diplomat said.

The trip will also underline what the tireless Middle East shuttling of Mr Warren Christopher, US secretary of state, has made plain: that the US will act as guarantor for any Syrian deal with Israel. Damascus, ever wary of negotiating alone and directly with Jerusalem, has always needed this assurance, adding to it repeated demands that Washington lean more heavily on its Israeli ally. "The US should...take stands that put more pressure on Israel to push the peace process," Mr Farouk al-Sharaa, Syria's foreign minister, said recently.

Mr Clinton's trip will affect the atmosphere surrounding the Syrian-Israeli talks, the real progress of which both sides, aided by the supremely tight-lipped Mr Christopher, have kept under wraps. It comes amid ground-breaking gestures from Syria suggesting the climate for these talks is warming. Mr al-Sharaa recently gave an unprecedented interview to Israeli television. He also met US Jewish leaders during a recent US trip.

The most tangible result of Mr Clinton's visit, diplomats say, could be for him to express Syria's ultimate willingness to embrace a full peace with Israel, and what that peace would entail, more explicitly than Mr Assad is so far prepared to do publicly. Possibly, Mr Clinton may be able to announce plans for eventual direct talks between Mr al-Sharaa and Mr Shimon Peres, his Israeli counterpart, a direct encounter long sought by the Israelis.

Assad: regional stature

Otherwise, the substance of Israeli-Syrian negotiations will continue under US auspices and through further US shuttles in and out of Damascus. Egyptian officials and some diplomats in the region believe these talks may be only months away from a basic agreed deal. Egypt's President Hosni Mubarak has spoken of a deal by Christmas.

If so, then Mr Assad and Israel's Premier Yitzhak Rabin may be awaiting the most propitious timing to make the political moves to clinch agreement. Mr Assad's desire for a "durable, comprehensive peace" makes it unlikely he would commit himself to a deal with Israel if that with the Palestinians looked to be failing.

PLO-Hamas strikers revile peace treaty with Jordan

Protests greet Hussein's special role, **Julian Ozanne** reports

The Palestinian strikes and rallies held across the Israeli-occupied West Bank and in Arab East Jerusalem yesterday were in protest at the Israel-Jordan peace treaty, which recognises Jordan's historic custodial role over Islamic sites in Jerusalem.

In a rare display of Palestinian political unity, Mr Yassir Arafat's Palestine Liberation Organisation called a strike jointly with the Islamic resistance movement Hamas, closing schools and businesses to mourn yesterday's signing ceremony.

In Hebron, up to 2,000 Palestinians took to the streets, shouting anti-Jordan slogans and burning pictures of Jordan's King Hussein. Israeli troops fired tear gas and bullets to disperse Palestinians stone-throwers in the West Bank city of Nablus.

Palestinians are outraged at the treaty, which recognises King Hussein's special role in Jerusalem's Islamic sites and in negotiations over the future of the Holy City sacred to Moslems, Christians and Jews. The king bases his claims to Jerusalem on assertions that his Hashemite monarchy is directly descended from the Prophet Mohammed, said to have ascended to heaven from Jerusalem's Temple Mount. The Dome of the Rock is said to mark the spot and is the third holiest site in Islam.

The king opened a speech to the Jordanian parliament last Saturday defending the peace treaty by calling for prayers and peace "on the truthful Hashemite Arab prophet and on his household".

Jerusalem, he said, "remains a trust with the Hashemites who are resolved on its patronage and reconstruction and on the supervision of its holy sites." The Jerusalem controversy is the latest sign of a long history of tension and animosity between King Hussein and Mr Arafat. King Hussein, whose country includes 2m-3m Palestinians, once challenged Mr Arafat for leadership of the Palestinian cause; the PLO believes the king has not yet given up his ambition to influence the West Bank.

> The controversy is the latest sign of a long history of tension between King Hussein and Yassir Arafat

Under UN resolutions, Arab East Jerusalem, including the old city, is defined as occupied territory seized by Israel in 1967. Palestinians want Jerusalem as their future capital. They accuse Israel and Jordan of trying to de-politicise the fate of Jerusalem and believe King Hussein has become a willing partner of Israel to maintain its occupation. Israel claims Jerusalem as its "eternal and indivisible capital".

The PLO and Jordan last week made rival appointments to the post of Mufti, the highest Islamic authority in Jerusalem. In a speech last Saturday, which angered Palestinians, King Hussein said: "We will never relinquish our religious responsibilities towards the holy sites".

At the United Nations, the PLO also appealed for international support to overturn the parts of the Jordan-Israel peace treaty relating to Jerusalem, saying it violates UN resolutions and the Israel-PLO peace accords.

For decades, Palestinians have accorded Jerusalem a special symbolic reverence. Photographs of the Dome of the Rock hang on the walls of almost every PLO leader. In spray-canned graffiti across the Gaza Strip the Dome is often depicted, symbolising the long-held Palestinian dream of a return to their cherished homeland.

Mr Arafat, who was not invited to yesterday's ceremony by either Jordan or Israel, on Tuesday blasted the Israel-Jordan agreement. "Jerusalem is the capital of Palestine, whether they like it or not. If they don't like it, they can drink Gaza sea water," he said, quoting an Arab proverb meaning he did not care if his statements were accepted or not.

"I say to them: Jerusalem is not for sale," he averred.

Hamas, usually at loggerheads with the secular PLO, has joined Mr Arafat's condemnation of the deal, saying it opens the door for Israeli domination.

US rivals clash over telecoms deal with PLO

By Roula Khalaf

Two US telecommunications giants both claimed this week they had clinched exclusive agreements with Palestinian officials to provide phone services in the West Bank and Gaza Strip, in a sign of disarray within Mr Yassir Arafat's Palestine Liberation Organisation, which has taken over administration of the areas.

MCI said it had signed a contractual agreement with Patelco, a private company implementing an exclusive 25-year telecommunications concession for the Gaza Strip and the West Bank, to provide international telephone network capacity.

Mr Lawrence Kodacovi, senior vice-president of MCI, said Bezek, the Israeli telecommunications company, had transferred the telecoms network to Patelco in a ceremony on Tuesday attended by Mr Arafat.

But Palestinian officials based in Tunis said Mr Arafat was to announce an AT&T deal to develop a telecommunications nework in the same area, in an agreement timed to coincide with the visit of President Clinton to the region.

Both American companies are insistent their agreements will give them exclusive rights to the Palestinian telecoms market.

Patelco would run and operate the telecommunications system in all Palestinian areas, Mr Kodacovi said, and MCI would provide the network capacity to link the Palestinian areas with the rest of the world.

The agreements were negotiated without public bidding or monitoring by international consultants.

The confusion between the rival accords reflects a scramble for contracts among senior PLO officials, and underlines concerns voiced by the US and international donors about the need for more transparency in awarding commercial contracts.

The principal shareholder in Patelco is International Technologies Integration, a small American telecom consultancy owned by a Lebanese engineer, which has joint ventures with MCI in Lebanon, Syria and Kuwait.

According to a contract seen by the Financial Times, ITI last October won a 25-year concession signed by Mr Arafat exclusively to build, operate and exploit the domestic and international communications network in the West Bank and Gaza.

But a rival group of PLO officials based in Tunis said they had signed an agreement with AT&T Network Systems International, a subsidiary of AT&T based in the Netherlands, to "help develop and modernise the telecom network in the territories" under control of the Palestinian Authority.

Mr Maher El Kurd, a senior PLO official in the office of Mr Farouk Kaddoumi, chairman of Pecdar, the Palestinian institution charged with monitoring and planning public-sector investments, said the AT&T agreement "will lead to an arrangement under which AT&T will build, operate and transfer a complete network to the Palestinian Authority to support 225,000 subscribers".

Mr Cees Steijger, head of corporate communications at AT&T Network Systems, said the "co-operation agreement" would lead to a contract and AT&T and the Palestinian Authority would work together to set up feasibility plans to develop the project.

AT&T is now reviewing financing options requiring several hundred millions of dollars.

According to Mr Steijger, AT&T's agreement will include operating the international network, which is what MCI says its own agreement with Patelco stipulates.

A senior western diplomat said Mr Ron Brown, US commerce secretary, had written to Mr Arafat expressing his concern over the award of the telecoms contract, and asking Mr Arafat to institute a process of open public bidding.

> The confusion between the rival accords reflects the scramble for contracts

The rival agreement by AT&T raises the stakes in the battle over the telecoms contract and will fuel further controversy.

ITI says the contract it has, and the agreement with MCI, are irreversible; it had started on implementation of a multi-year expansion plan worth $140m with more than $30m of improvements in the first year alone.

Mr Pierre Rizk, a Paris-based businessman who has been a key negotiator of the ITI deal, insisted this week that the rivalry between the two US companies was now over and that the international telephone business would go exclusively to MCI.

Mr Rizk denies any financial interest in any of the companies involved.

Mr Rizk said the transfer from Bezek to Patelco meant that last October's 25-year concession to ITI "was legally binding on Israel, the Palestinian Authority and all the telecommunications companies worldwide".

Patelco had now bought the transmission equipment, existing switches, cables, carriers and network remodes from Bezek. Bezek refused to comment.

Mr Rizk confirmed there had been US pressure on the Palestinian Authority about the award of the contract but said it was a private business matter which should not concern Washington as the deal involved no foreign aid.

AT&T's Mr Steijger said he was surprised by MCI's announcement this week. "I don't know what to make of it," he said.

"But the US government policy as given to us for American companies doing business in the Palestinian territories lays down two principles: accountability and transparency, and the vehicle for implementing these two principles is Pecdar."

NEWS: UK

Way clear for deregulation of gas market

By Michael Smith

The government seems set to introduce a bill to deregulate the domestic gas market next parliamentary session after Mr Tim Eggar, energy minister, yesterday outlined proposals for a pilot scheme in 1996 and full competition in 1998.

Although Mr Eggar said he could not confirm the inclusion of legislation in the Queen's Speech to parliament next month, the positive tone of his remarks left little room for doubt that he believes the cabinet will support the tabling of the bill. The Queen's Speech is used to set out legislation which the government intends to propose in the next session of parliament.

Asked by an MP in a committee meeting if his deregulation proposals could be implemented on time without a bill in the next session, he replied: "Theoretically yes, but you need a lot of theory and not a lot of practice to reach that conclusion."

A likely cabinet decision to go ahead with deregulation has been assisted by a growing consensus, which includes British Gas and consumer groups, that competition would be beneficial.

Independent gas suppliers have predicted that prices could fall by 10 per cent as a result of deregulation. Ms Clare Spottiswoode, gas industry regulator, told MPs at a session of the trade and industry committee of the House of Commons yesterday that anyone who paid a bill on time in the new regime was likely to be a winner in price terms.

British Gas said it is likely to raise its prices, including standing charges, by about the rate of inflation at the turn of the year. This ends speculation that the standing charge, now just under £37, would rise to £42 to reflect costs.

The company promised considerable discounts for consumers who agreed to pay bills by direct debit and hopes to double the number on such schemes from 3m. Confirming plans for more cost-reflective pricing, Mr Richard Giordano, chairman of British Gas, said there would also be a change in the middle of next year to reflect transportation charges. This could increase or decrease prices in some areas by 2 per cent.

Mr Eggar told MPs that competition would start with a regional pilot "perhaps in an area the size of a county with 500,000 people" in April 1996. A second pilot involving 2m people, possibly in several areas, would follow in 1997.

Mr Eggar said he hoped to encourage small suppliers as well as large into the market, suggesting for example that coal-bed methane gas could be provided to individual villages.

Coal traders are to complain to the European Commission about government "support" for the gas industry which they say amounts to discrimination and contravenes competition rules.

The Chamber of Coal Traders, representing 2,500 members, highlights three areas of concern. It claims British Gas is receiving about £65m ($102.7m) of support from the Department of Social Security. It says this is because the department pays gas bills for claimants of state benefits who are in arrears.

The chamber says it is not possible for claimants who use solid fuel to get the same help. It alleges that the market is distorted as a result.

The second complaint arises from a system of pricing under which householders pay the same amount for gas supplies throughout Britain.

The chamber says this is possible because of British Gas's near monopoly position and also distorts competition. British Gas is already planning to change the system.

The chamber is also concerned about the pricing formula used by Ofgas, the gas industry regulator.

Environment commission's aim dismissed as 'technically impossible'

Carmakers scorn efficiency target

By John Griffiths

The motor industry, which is still recovering from one of its steepest recessions, yesterday rejected as "technically impossible" one of the main recommendations from the Royal Commission on Environmental Pollution – that the fuel efficiency of the typical family car should be increased by 40 per cent over the next 11 years.

It also insisted that the commission's depiction of roads jammed with up to 45m vehicles by the year 2025 – double the current number – was misleading.

"We agree that car ownership will increase, but this does not necessarily mean that usage will do the same," the Society of Motor Manufacturers and Traders said.

Mr Roger King, the society's public affairs director, said: "In the next century we will see more families with perhaps three cars for different reasons - an electric vehicle for city use, an inter-city car and a weekend leisure vehicle. But they will not be all on the road at the same time."

The industry also expressed concern at the commission's proposals further to modify the Inland Revenue's new company car taxation regime "to remove the incentives for environmentally damaging behaviour".

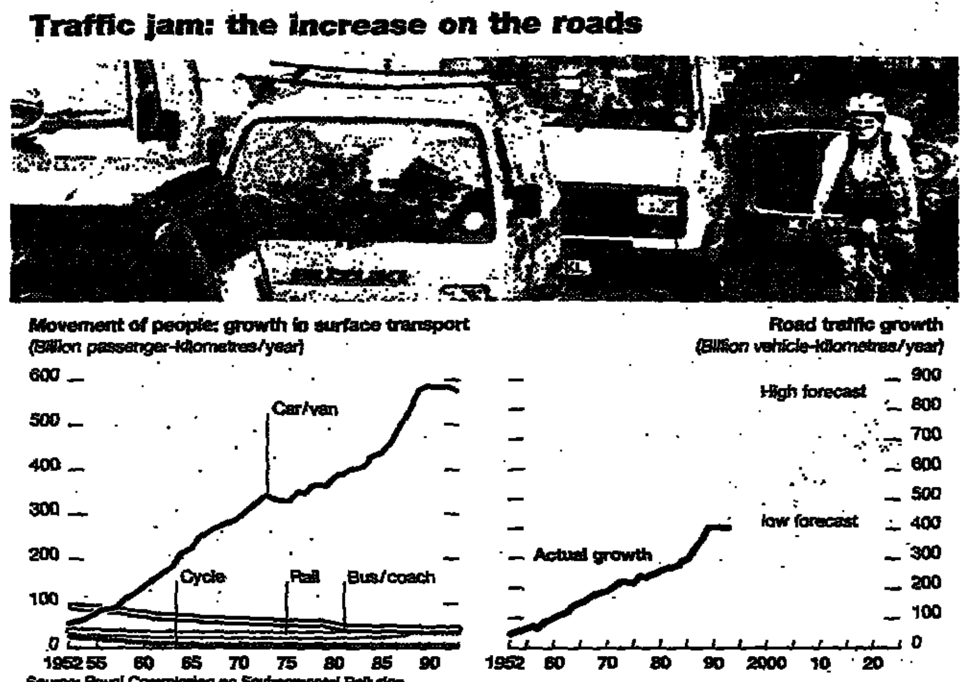
Under the existing regime, the tax liability a company car driver incurs on private use of the car falls by a third if more than 2,500 business miles are travelled a year; and by a further one-third above 18,000 business miles.

Business cars now account for 70 per cent of the UK new-car market and their sales are entirely responsible for the current market recovery. Any significant shrinkage of the business car market could have adverse implications for Britain as a car manufacturing base, the industry says.

There was less concern among vehicle manufacturers over the call both by the commission and by the Commons transport committee for a ban on the sale of super unleaded petrol because of its high content of benzene and other octane-boosting "aromatics" linked with cancers.

Ford results, Page 17

Traffic jam: the increase on the roads



Source: Royal Commission on Environmental Pollution

The report was welcomed enthusiastically by environmental groups, which saw it as potentially a breakthrough in their campaign for greener transport policies. Greenpeace described it as "a watershed in the battle against subsidised pollution", and the Council for the Protection of Rural England said the report showed "vision".

The report was also welcomed by campaigners for cleaner air and a reduction in asthma, now widely linked to transport pollution. After some notorious battles over new road schemes, the report's emphasis on the "best practicable environmental option" is certain to encourage green groups to take a more aggressive stance over future plans. The Royal Society for the Protection of Birds pointed out that 160 sites of special scientific interest were directly at risk from the government's road programme, and wildlife was suffering from polluting emissions.

Irish Republic ready to shift on territorial claim

By Philip Stephens and David Owen at Westminster

The government of the Republic of Ireland has told its British counterpart privately that it is willing to amend the most sensitive element of its constitutional claim to Northern Ireland.

But draft amendments suggested by Dublin to article 2 of the constitution – which defines Northern Ireland as part of the republic's "national territory" – do not go far enough to meet the UK government's demands.

The amendments have been tabled as part of the intense negotiations on a framework document to provide the basis for a political settlement for the province.

Mr Albert Reynolds, the Irish prime minister, has signalled that he is ready to submit to a referendum changes to the less controversial article 3 of the constitution, which also refers to the jurisdiction claimed by the republic.

Publicly, the Dublin government has strongly resisted the suggestion that it might change article 2, which states simply: "The national territory consists of the whole island of Ireland, its islands and territorial seas."

British officials hope Dublin's private acceptance that article 2 is no longer inviolate will help break the deadlock in the talks on a framework document.

Mr John Major, the UK prime minister, told Mr Reynolds earlier this week that an overall deal acceptable to Northern Ireland's moderate supporters of union with the rest of the UK would be impossible without a radical revision of the constitutional claim.

But it is understood the two possible revisions so far suggested by Dublin do not meet the central unionist demands that Northern Ireland must be recognised as outside the "national territory" and that they no longer be defined as members of the "Irish nation".

These indications of Dublin's position came on the eve of the first House of Commons debate on Northern Ireland since the republican and loyalist ceasefires.

During the debate, ministers may be pressed on last week's move by Mr Major to separate plans for a Northern Ireland assembly from wider talks on the province's status.

The move appeared to irritate the government of the republic, although Mr Major said on Monday that it would be a "misreading" to suggest he was trying to detach one from the other.

If questioned today on whether the "nothing is agreed until everything is agreed" formula governing political talks on the province still applies, ministers are expected to say that the basis upon which talks began in 1991 will stay in place unless and until the participants decide otherwise.

Citicorp offshoot plans lifeline for Names at Lloyd's

The prospect of traditional Lloyd's Names becoming a rare – if not endangered – species heightened yesterday, our Insurance Correspondent writes. Plans were unveiled that would allow increasing numbers to trade without being liable down to their last collar stud.

Citibank, the subsidiary of US bank Citicorp, said it had devised an innovative scheme to allow existing Names to convert from unlimited to limited liability without breaking Lloyd's rules. The proposals could lead to a further reduction in the number of traditional Names, the individuals whose assets have historically supported the Lloyd's insurance market but have been hit by heavy losses in recent year. The number of Names actively underwriting has fallen from a peak of 32,000 in 1989 to fewer than 18,000 this year.

Mr Peter Middleton, Lloyd's chief executive, said yesterday that most Lloyd's Names may well convert in the next few years – though the higher returns offered by unlimited liability would continue to attract a minority.

"There will be a strong caucus – perhaps 3,500 – who will opt to remain exactly as they are, on unlimited liability," he said.

Citibank's proposals await approval by Lloyd's but have been drawn up in consultation with members' agencies, who look after the interests of Names, and officials at the ins. ce market. They will be considered by Lloyd's on November 4.

Main features include a "reinsurance" agreement by which Names would transfer liabilities outstanding on policies they have underwritten previously to an individual company, or "NameCo". That would not isolate them completely from past exposures but offer some protection.

Lloyd's has agreed that NameCos should hold a minimum of £100,000 at the insurance market compared with the £1.5m required from companies who have been set up in the past few years to inject corporate capital into the market.

To make the scheme more attractive, Citibank has arranged for some of those adopting it to buy a separate reinsurance policy which will have the effect of increasing their funds at Lloyd's – allowing them to underwrite more business. If many Names transfer to limited liability, the process could become unstoppable.

UK NEWS DIGEST

US companies join N Ireland cable venture

A north-south divide is emerging in the battle for the UK's largest cable television franchise to be advertised so far – the 530,000 homes of Northern Ireland. TeleWest, the largest UK cable company is already planning a bid for the Northern Ireland franchise.

A consortium being put together by TeleWest – a 50-50 joint venture between TCI of Denver, the largest cable operator in the US, and US West, the regional telephone company – is likely to include both Mr Tony O'Reilly's Independent Newspapers of Ireland and RTE, the national broadcaster for the Republic of Ireland. Mr O'Reilly's Irish Independent newspaper is already involved with a consortium, Princes Holdings, which operates cable networks in Cork and Limerick in the republic and a microwave broadcast service in the west of Ireland. The other shareholders are TCI and United International Holdings, an American cable operator. UIH is also likely to be involved in the Northern Ireland bid.

The TeleWest consortium will be challenged by a consortium that includes Ulster Television, the independent television company for Northern Ireland. The company is believed to be talking to Comcast, the quoted US cable operator which is the eighth-largest cable group in the UK.

'Cottage' holidays take off

Big holiday companies are starting to market holidays in what the industry calls 'cottages' to customers outside the UK. The 'cottage' can be anything from a converted English barn to a Scottish castle, and such holidays have boomed among UK residents in recent years.

In August Thomson, which owns the UK's largest overseas tour operator, charter airline and travel agency, bought Country Holidays, the UK's largest holiday cottage letting company, for about £34m ($53.7m). The purchase could transform the holiday industry, bringing sharper marketing to a sector that has traditionally been poorly organised. Mr Geoff Cowley, marketing manager of Country Holidays, says nobody is sure of the size of the market for UK self-catering accommodation.

Country Holidays has 5,600 properties on its books while English Country Cottages, the second-largest company, has 2,800. Neither 'cottage' company owns property. They take bookings and collect bills on behalf of private owners in return for commissions of between 21 and 25 per cent. Customers from outside the UK account for only 5 per cent of the two companies' business, and both companies are actively marketing 'cottages' overseas.

First oil from new field

BP and Shell said yesterday that they had produced the first oil from the Atlantic west of Shetland, a group of islands to the north of Scotland. In a six-week extended test of their new Foinaven field, the well flowed at up to 20,000 barrels a day with an average flow of 17,800 barrels. On completion of the test a cargo of oil was taken to BP's refinery in Rotterdam.

In addition to being the first oil produced and saved from the area, it was the first production from 500 metres under water, and the highest flow rate achieved in the area. Foinaven and its neighbouring Schiehallion field are among the biggest new oil and gas discoveries in UK waters. The two wells could account for 30 per cent of the UK's known reserves, with production amounting to a similar proportion of the UK's total output when they are fully developed. In August Shell and BP placed contracts with a consortium of McDermott/Golar-Nor for a floating production system for the first phase of Foinaven development.

Murder inquiry reopens

Police have reopened their investigation into one of the most notorious murder cases of recent years. Rachel Nickell, aged 23, was stabbed to death in 1992 while walking with her two-year old son on Wimbledon Common, an expanse of public open space in the south London suburbs. The file on the case at Scotland Yard was closed last month after the collapse of a murder case brought against Mr Colin Stagg, who lived near the scene of the crime.

Police tactics towards Mr Stagg were described by the trial judge as "something without precedent and frankly a disgrace". An undercover policewoman sent Mr Stagg letters and a tape in an attempt to encourage him to reveal sexual fantasies.

Nissan Motor loses appeal

Nissan Motor, the Japanese car manufacturer, yesterday lost its appeal against a ruling in the High Court that it should pay £6m ($9.5m) to Nissan UK, its former importer and distributor. The Court of Appeal upheld the ruling made in the High Court in March last year that Nissan Motor had entered into an agreement with Nissan UK to pay the £6m as an incentive for taking 12,700 Bluebird cars shortly before they went out of production in 1990. Nissan Motor had denied that such an agreement had been negotiated with Mr Octav Botnar, the Nissan UK chairman.

Mercedes close to engines deal

Mercedes-Benz is poised to sign an agreement under which it will become the official engine supplier for Mr Ron Dennis'sMcLaren grand prix racing cars next year. Subject to final detailed negotiations today, the deal will be announced in Stuttgart tomorrow. The engines, now supplied to the Swiss Sauber racing team, are designed and built in the UK by Ilmor Engineering of Northampton, in which Mercedes has a 25 per cent stake.

Municipal reform in chaos, says Labour

By John Authers

Sir John Banham, chairman of the commission created by the government four years ago to review the structure of municipal administration, yesterday announced the abandonment of plans to abolish six county councils. They were Cambridgeshire, Cheshire, Cumbria, Kent, Lancashire and Oxfordshire.

The announcement signals a decisive rejection of the government's original preference that county councils should be replaced by unitary authorities combining the powers of counties and districts in all but "exceptional" circumstances. At the moment county and district authorities exercise different powers over the same areas. District councils have lobbied hard for the end of the two-tier structure through abolition of county councils. The districts would then become unitary authorities with all the powers. Of the 17 counties for which proposals have been announced so far, 10 will keep the two-tier system – at least in part. Proposals for all the other English counties will be given to the government by the end of the year.

Opposition politicians claimed the government's policy was in chaos. Mr Frank Dobson, local government spokesman for the opposition Labour party, said: "The present position is yet another monument to government incompetence. Turmoil and trouble, all for nothing - a useless distraction."

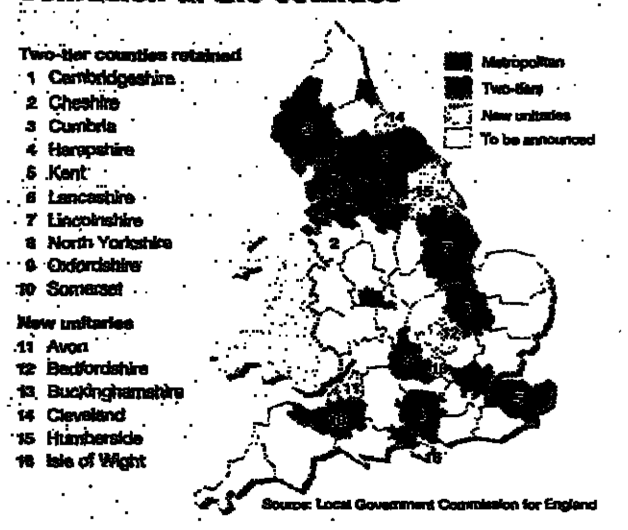
However, the commission has proposed a change to the structure of Hampshire, with Portsmouth, Southampton and the New Forest district councils all given unitary status on their current boundaries.

In Buckinghamshire and Bedfordshire, Sir John recommended more radical change, with both county councils being abolished and most of the lower-tier district councils being given unitary status on their current boundaries.

Sir John Banham

Born 1940; educated Charterhouse and Queen's Cambridge
Divisional director, Reed International 1965-69
McKinsey 1969-83
Heads Audit Commission (municipal spending watchdog) 1983-87
Director-general, Confederation of British Industry 1987-92

Confusion in the counties



Source: Local Government Commission for England

RAF wants Boeing helicopters instead of Westlands

The Royal Air Force is pressing for its current fleet of transport helicopters to be updated using only the latest version of the US-made Boeing Chinook, our Defence Correspondent writes. It does not want the mixed fleet of Chinooks and Westland EH101 aircraft which was originally proposed. This is the latest of a series of military procurement decisions which pits off-the-shelf US products against European-developed alternatives.

The European Future Large Aircraft is fighting the Lockheed C-130J Hercules for a £900m ($1.42bn) RAF order, and the US Apache helicopter is set against the European Tiger in the British army's £2bn attack helicopter competition.

The RAF will argue for the Chinook when the £1bn order for up to 40 support helicopters goes to the Ministry of Defence equipment committee next week. However, the army, also represented on the committee, is thought to favour a mixed fleet of helicopters to give versatility.

The Chinook can lift 10 tonnes against the EH101's 4.5 tonnes, but the EH101 is smaller and more agile with better night operating capacity, making it more suitable for some army missions.

Westland, the helicopter maker owned by GKN of the UK, has been hoping for an order for about 25 EH101s from the RAF.

The order would be an important endorsement from the ministry which would help the helicopter's export prospects. Westland is negotiating to sell the anti-submarine warfare version of the EH101 to several Gulf states.

Taiwan power bid decision in January

Nuclear Electric, the state-owned generating company, expects to receive a decision by the end of January on its joint bid to build a power station in Taiwan, David Green writes.

The bid, based on the design of the proposed Sizewell C plant in eastern England, has been made in conjunction with Westinghouse of the US, which collaborated over the design of Sizewell B.

The companies are being given until mid December to decide whether to revise their joint bid and are now carrying out a reassessment of costs.

Executives are also answering technical and commercial questions posed by Tai Power, the Taiwanese generating company.

Two other bids are being considered, from Asea Brown Boveri, owned by Combustion Engineering of the US, and from Framatome of France.

Sizewell B, Britain's first pressurised-water reactor power station, is expected to start generating electricity in mid December and to achieve its maximum output of 1,188MW by March.

London dockland railway to be sold

By Charles Batchelor, Transport Correspondent

The London Docklands Light Railway, which links the City of London with the East End, is to be franchised to a private-sector operator in 1996 before being sold completely seven years later.

Announcing plans for privatisation of the 15-mile railway, Mr John Gummer, environment secretary, said yesterday the government would also seek bids from private consortia to build an extension costing between £110m and £130m under the Thames to the south-east suburbs of Greenwich and Lewisham.

The decision to franchise the railway before selling it reflects in part its large losses. The railway expects to earn revenues of only £7m this year against operating costs of £18m, but is expected to move into profit during the period of the franchise. A declining level of subsidy is likely to be maintained until then. The railway, which uses driverless trains, carried its first passengers in 1987, but its early years were dogged by technical problems.

A new management team which joined in December 1991 has modernised the railway's signalling, improved reliability and built a new extension to the east. In the past 12 months the number of passengers has risen by 40 per cent to 45,000 a day.

The railway is expected to prove attractive to franchise bidders, including possibly its own management. Unlike routes which are to be sold from the national British Rail network, it will be offered as a fully-integrated railway, owning its own track and operating its trains.

Bidders for the 2¼-mile Lewisham extension will be invited to pre-qualify through the official journal of the European Union early next month and a shortlist will be announced in January.

TECHNOLOGY

Scientists are closer to finding a cure for the cold, writes **Sheila Jones** in a series on drug discoveries

Research not to be sneezed at

A vaccine for the common cold is a distant dream but a cure may be closer to hand. Scientists have tried for years to fathom the mysteries of the many viruses that cause the cold.

There have been several false dawns. The discovery in 1985 of the structure of the rhinovirus – of which there are at least 120 out of about 200 cold viruses – was heralded as the breakthrough that might produce a vaccine. Some researchers said at the time, however, that its very complexity meant a vaccine was probably impossible.

Yet, it was a breakthrough. It meant scientists could begin to think about designing a drug that might stop the virus.

Nearly 10 years on, there is no new drug that does more than alleviate cough and cold symptoms. Drugs are becoming more sophisticated, but none prevents infection.

Now, there is another breakthrough. In March this year, Agouron Pharmaceuticals, a small US company, announced it had discovered the atomic structure of rhinovirus 3C protease (RVP), an enzyme that plays a vital role in the lifecycle of the rhinovirus. The RVP enzyme helps the virus to do its work as it enters the body (through the nose, eyes or mouth), producing the symptoms associated with colds.

"It is probably the most important breakthrough since the structure of the virus was discovered in 1985," according to Jeffrey Almond, microbiology professor at the University of Reading, one of the main centres of research in the UK into the common cold.

Agouron believes the discovery will enable it to design a drug, atom by atom, that will lock into the enzyme and inhibit or stop rhinovirus replication. It sounds familiar, but there are some differences.

First, every virus and rhinovirus would need its own vaccine because each is minutely different: Agouron believes the enzyme structure is common, or similar, to at least the rhinoviruses. If it can design a drug to fit the RVP enzyme, it could reach half of all colds.

Second, Agouron, in common with several other pharmaceutical companies, is working with computerised drug design. Computing tools can provide important leads in the search for the right atom to create a molecule that locks on to a virus. The chances of hitting the right combination are greater because scientists can try out any number of combinations more swiftly than they could 10 years ago.

European cough medicine market

Brand value

Brand	Manufacturer	%
Benylin	Warner Lambert	30.0
Covonia	Thornton & Ross	9.4
Boots own-label	Boots the Chemist	6.5
Actifed	Wellcome	5.3
Sudafed	Wellcome	3.9
Vicks	Procter & Gamble	3.9
Meltus	Seton Healthcare	3.8
Tixylix	Intercare	2.7
Robitussin	Whitehall Laboratories	4.6
Veno's	SmithKline Beecham	2.0

Manufacturers' shares

Manufacturer	%
Warner Lambert	19.1
Mars	12.7
SmithKline Beecham	11.5
Crookes/Boots	8.8
Zyma Healthcare	5.6
Procter & Gamble	5.4
Marion Merrell Dow	5.2
Wellcome	4.3
Reckitt & Colman	4.2
Intercare	1.9

Source: Euromonitor Market Direction from trade estimates

Agouron says it hopes to have a drug in the development phase by next year, although it will be "some years" before such a drug would be on the market. Drugs go through years of clinical trials before they are allowed on to the market, whether for prescription or over-the-counter sale. Initially, Agouron plans to develop agents for treatment of chronic obstructive pulmonary disease, such as emphysema and chronic bronchitis.

Agouron is not alone in the race to design a drug to kill the cold. Agouron provided Eli Lilly, the US company, with the RVP structure in exchange for commercial rights to anti-HIV agents produced jointly by the two companies.

Also in the picture are Japan Tobacco, the main contributor of funds for Agouron's anti-viral research, and Syntex, a US subsidiary of Roche of Switzerland, which is also contributing. JT has contributed $56m (£35m) to the collaboration in the past three to four years, in exchange for a licensing and profit-sharing arrangement. Any other company, Agouron acknowledges, could establish the enzyme structure and design a prophylactic drug.

Yet all researchers are aiming at an extremely difficult target, says David Tyrell, a virologist who ran the common colds research unit at Salisbury in the UK for 26 years until its closure in 1990. "You need to produce something that will kill the virus but won't also damage the delicate nerves and tissue in the nose or cause irritation that is worse than the cold," says Tyrell. He points to the early optimism about interferon in the mid-1980s. The first experiments showed that it stopped the cold but it produced unacceptable side-effects, including nasal damage.

As the world waits for a cure, the OTC coughs and colds industry is constantly upgrading and refining its products. Nearly two-thirds of cold sufferers seek self-medication in a global market worth about £3.5bn a year.

The trend in the industry is to improve what is already available. Most cough and cold remedies contain an analgesic, such as paracetamol or aspirin, plus one or more active ingredients to control specific symptoms. These include decongestants such as ephedrine and pseudoephedrine and sedative antihistamines, such as diphenhydramine and promethazine, to suppress coughing and to dry a runny nose.

The industry has sought to target specific symptoms, to improve tastes and delivery systems, to speed up and prolong treatment effectiveness, and to produce better and safer packaging.

The industry has also produced new mixes with drugs coming off prescription and on to the OTC market. Two years ago, the antihistamine Tavist, developed by Sandoz of Switzerland, switched from prescription to OTC and is now an ingredient in the company's cough and cold remedies.

Boehringer Ingelheim, which leads the German market, says it is focusing on switching more prescription-only drugs to the OTC market following the move to OTC of its Bisolvon cough treatment, which sells about DM245m (£102m) annually, DM45m of which is prescription-based.

Crookes Healthcare, the UK division of Boots Healthcare International, launched ibuprofen, the analgesic, anti-pyretic (lowers temperature) and anti-inflammatory drug onto the OTC market in 1983 as Nurofen. This year, the company produced a new formulation – Nurofen Cold & Flu tablets – the first specific cold treatment sold OTC containing ibuprofen. The product's other active ingredient is the decongestant pseudoephedrine. P&G is also launching in the US a patented formula in its Vicks range which is ibuprofen-based and contains a decongestant.

Procter & Gamble's recent repackaging of some products is typical of moves under way elsewhere in the industry. P&G's new Accutip packaging for its cough products restricts the amount of liquid leaving the bottle, and SmithKline Beecham has recently repackaged its top-selling Contac line of cold remedies. Johnson & Johnson has introduced the Tylenol FastCap, a bottle cap that opens with a slight twist. It is aimed at elderly or arthritic people and households without young children. Improved delivery systems in recent years include easy-to-swallow gelatin capsules and day/night tablets of drowsy and non-drowsy cold formulas in one package.

The market, dominated globally by a handful of international groups, is also trying to produce better-tasting remedies, such as SmithKline's range of Beecham powders for hot drinks containing honey and lemon. Reckitt & Colman, of the UK, now produces a range of its leading Lemsip brand, with drowsy and non-drowsy formulas, capsules and flu strength. The company says more Lemsip products, with known pharmaceutical agents, are being developed.

Leaders in the global coughs and colds OTC market are P&G, which has about a 15 per cent share, according to industry estimates: Warner Wellcome, the Anglo-American joint venture between Warner Lambert of the US (which produces Benylin) and Wellcome of the UK (which makes Sudafed) with 14 per cent; American Home Products, with about 8 per cent, and SmithKline Beecham, which has a 4.5 per cent share (this is expected to rise to about 7 per cent when details of SB's recent acquisition of Sterling Health are finalised).

None of the leading pharmaceuticals companies is betting on a cure, but all are reshaping, repackaging and remixing. "The goal is to get a cure," according to P&G, "but before you get there, you have to try to improve what's available now."

A six-part series on cancer research will start on the Technology Page next month. The drug discovery series will resume next summer.

■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Immunity	30 September
Fungi	25 August
Stroke	29 July
Painkillers	30 June
Blood products	27 May
Multiple sclerosis	29 April

New light on road safety

European car makers are using pioneering techniques, writes John Griffiths

Europe's motor industry has developed a system which could sharply reduce road deaths, according to European car manufacturers.

The technology, which involves the use of ultra-violet light in headlamps, was developed under the Prometheus research programme and could be ready by the end of this decade.

About 50,000 people are killed and around 1m injured each year on roads in Europe. With a view to reducing the toll, and solving another of the problems bedevilling Europe's roads – traffic congestion – 90 cars and trucks fitted with an assortment of pioneering technologies were put through their paces at a Paris conference last week.

They were demonstrating the fruits of Prometheus, the first pan-European collaborative research project, which involves 13 vehicle manufacturers and some of their key component suppliers, plus electronics and defence equipment producers, research institutes and universities.

Prometheus – an acronym for Programme for a European Traffic with Highest Efficiency and Unprecedented Safety – is eight years old and has cost nearly Ecu900m (£703m).

The UV system, developed by Saab and Volvo, was demonstrated by Saab last week. At an unlit test track near Paris last week, the Saab 9000 showed only a hint of UV light from two small lamps at bumper level. But for the driver, the UV transformed the view. White lines and road signs treated with UV-responsive paint shone out from hundreds of yards ahead.

Apart from safety, there is another dimension to the programme. Europe's vehicle makers are locked in a fierce race with rivals in Japan and North America to develop new technologies expected to transform vehicles and road infrastructure by the 21st century.

At stake are vast rewards for those whose technologies become the industry standard in areas such as vision enhancement, automatic collision avoidance, and data interchange between vehicles and roadside equipment for purposes such as route finding and automatic tolling.

The Prometheus research has fallen into three categories: safer driving, mainly through autonomous on-board systems; "co-operative" driving, involving information exchanges between vehicles or roadside information beacons; and broader traffic management technology.

The UV system falls into the first category. Jaguar, glass manufacturer Pilkington and GEC Marconi Avionics have taken a different approach, adapting military technology. A near-infra-red camera and filtered headlamps allow the driver to see into pitch-black countryside. Infra-red, unlike UV, can also cut through fog.

Jaguar also demonstrated an "intelligent" cruise control car, developed with Philips, Lucas Industries, Alfred Teves and DASA, which measures the distance and speed of vehicles ahead, maintaining a safe distance by automatic braking and throttle. The driver can override the system.

Lucas, and Oxford and Southampton universities, has joined Jaguar to develop a vision system using a video camera and radar sensors to scan the road ahead and predict collision risk. BMW, Matra, Renault and Jaguar have also developed systems which help the driver stay in lane using a camera which recognises lane markings.

Collectively, the Prometheus technology stands to change driving and safety standards beyond recognition in the next two decades – if motorists are prepared to pay extra for safety features.

If Prometheus succeeds in its goals, the 50,000 annual death toll could be halved by 2010.

PEOPLE

Peugeot's UK steering wheel to remain in British hands

Geoffrey Whalen, who as chief executive of Peugeot Talbot has overseen a renaissance of the French car-maker's UK subsidiary during the past 11 years, is to leave the company at the end of the year, though he will remain on the board in a non-executive capacity.

The parting is said to be entirely amicable and the powers-that-be at Peugeot's group headquarters in Paris are content to leave Peugeot Talbot's operations in another English pair of hands. Whalen's successor is to be his long-serving aide Richard Parham (far right), ten years Whalen's junior, who has been assistant MD at Ryton since 1981 – initially under Whalen's own predecessor, the late Sir George Turnbull.

"The initiative is entirely mine," stresses Whalen (right), whose angular, bespectacled and often suede-shoed appearance gives him more the demeanour of a university don than a motor magnate. "There have been no rows, no disputes – we now have a good facility and a good future at Ryton (the car plant near Coventry); I'm nearly 59 and now is a good time to leave and go and do something different."

What that something will be Whalen is not yet prepared to say – "except that I don't have any intentions of going off to run a rival car company".

Whalen is such a motor industry institution – he has twice been president of the Society of Motor Manufacturers and Traders and is currently its deputy president – that it tends to be forgotten that he cut his career teeth not on motor cars but in the coal industry. He worked in industrial relations for the National Coal Board for seven years before joining first motor components group AC Delco, then British Leyland and – after a brief spell with food group Ranks Hovis McDougall – Peugeot Talbot, as personnel director, in 1980.

The Peugeot Talbot Whalen joined was a very different animal from today's. It was then mired in losses which would total nearly £400m over almost a decade before the financial turnround – a £3.1m net profit – came in 1984.

Since then it has been profitable for all but one of the past ten years, with its UK market share jumping from just over 1 per cent to the current 8 per cent. Car production over the same period rose from 20,000 a year to a peak 100,000-plus, with around 90,000 expected next year.

■ Mike Grant, 41, a former Laing & Cruickshank stockbroker, has taken over as group treasurer of Eurotunnel where he will be responsible for managing the group's £8bn debt and relations with its 220 banks.

Grant, who joined Eurotunnel in 1987 and is a member of the association of corporate treasurers, is taking charge of an expanded department following Eurotunnel's decision to merge its treasurer's and corporate finance departments.

The former has been responsible for areas such as the management of the group's interest rate and foreign exchange exposure and the corporate finance department has been concerned with bank negotiations, financial analysis and equity issues.

Now that Eurotunnel has raised the bulk of its capital, the group is consolidating its financial side under Graham Corbett, the chief financial officer. Peter Ratzer, 55, currently director of corporate finance, is becoming a senior financial adviser before taking early retirement towards the middle of 1995 and Patrick Fulhaber, 48, who has been treasurer since 1991, is returning to France.

Grant, who was corporate finance manager, will also take over responsibility for the bank and investor relations department in his new role.

■ Colin Fraser, 49, chief executive of McGregor Cory, the contract distribution business of Ocean, has resigned, and will be leaving the group by mutual agreement at the end of the month. Fraser was also a main board director of Ocean, the freight, environmental and marine services group which has continued to disappoint the City.

John Allan, who became chief executive of the group last month, said yesterday that he would be taking a personal role in McGregor Cory as executive chairman. Significant investments had been made in the business, and he aimed to accelerate the rate of return to shareholders.

Fraser, whose total emoluments last year were £113,000, was on a three-year rolling contract. Compensation is still being discussed.

Allan said there were no plans to change any other executive directors at the moment.

■ Saul Lanyado has joined GEC-Marconi as managing director of the company's avionics division from STC submarine systems where he had been managing director for six years. Before that Lanyado had worked for Marconi as a director of the instruments division in Scotland; he replaces Derek Dickinson, who has moved to GEC-Marconi's Stanmore, Middlesex, headquarters. Lanyado will report to Roy Gardner, managing director of GEC-Marconi and a main board director of GEC.

GEC-Marconi avionics employs about 9,000 people at sites in Rochester, Edinburgh and Basildon. The company has a turnover of about £500m a year and manufactures radars, flight control systems, displays and power systems.

Lanyado holds a first class BSc in electrical engineering from London University and a PhD in computer science from Manchester.

■ John Hart, formerly vice-president Europe for Wrangler, has been appointed vice-president, marketing and business development for REEBOK INTERNATIONAL.

■ John Langlands, formerly finance director of Eclipse Blinds, has been appointed finance director of BRITISH POLYTHENE INDUSTRIES.

■ Paul Watkinson, group personnel director, has been appointed to the BRITISH RAILWAYS Board.

Bodies politic

Sir Paul Nicholson, chairman of Sunderland-based Vaux Group, is to become the first President of the North East Chamber of Commerce.

The Chamber, one of the country's largest with 3,000 member companies between the Scottish borders and North Yorkshire, comes into being on January 3 – the result of a merger of three chambers.

One of the region's leading businessmen, Sir Paul is a director of the Northern Development Company, Northern Electric and Tyne Tees Television, and chairman of the Tyne and Wear Development Corporation. He is a former chairman of the CBI's northern region and of Northern Investors.

■ Kenneth Caldwell, who has spent the past eight years working for Voluntary Services Overseas, has been appointed chief executive of SUSSEX Training and Enterprise Council. Caldwell, 39, whose early career was spent in manufacturing industry, succeeds Malcolm Allen who has been appointed chief executive of Kent Tec.

■ Simon Bolam, the owner of E.H. Ransom & Co in Edinburgh, has been elected president of the CHARTERED INSURANCE INSTITUTE.

■ Stephen Rubin, chairman of the Pentland Group, has been appointed world president of the TEXTILE INSTITUTE.

■ Roy Whithear, formerly of Greenwell Montagu and recently secretary general of the Association for Child Psychology and Psychiatry, has become director of finance and resources at the CANCER RESEARCH CAMPAIGN.

■ Jonathan Fry (below), group chief executive of Burmah Castrol, is appointed chairman of the Asia Pacific Advisory Committee being set up by the ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS.

Your business may be fighting fit but is it fighting fraud?

■ If you suspect fraud is at work in your business, minimise your losses by acting now.

■ Ernst & Young's Fraud Investigation and Risk Management Group comprises many specialists with unparalleled experience in investigating and preventing fraud.

■ We have helped many businesses, investigating alleged and discovered frauds, limiting losses and advising on appropriate courses of action.

■ For an informal discussion, or for a copy of the results of our latest survey into the perceptions of fraud, please contact the partner in charge of the group, David Sherwin on 071 931 4517.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

FT
FINANCIAL TIMES
Conferences

WORLD ELECTRICITY

London – 7 & 8 November 1994

This annual meeting - the eighth in a successful series arranged jointly with Power in Europe - will examine how electricity utilities around the world are responding to a more competitive environment.

ISSUES INCLUDE:
- California's Plans for Deregulation
- Stimulating Greater Competition in Europe's Electricity Markets
- Cross-Border Purchasing of Electricity
- The Nuclear Dilemma in Eastern Europe
- New Fuels, New Technologies in Power Generation

SPEAKERS INCLUDE:
- Commissioner Norman D Shumway, California Public Utilities Commission
- Mr Richard Coldwell, Head of Government & Overseas Relations, The National Grid Company plc
- Mr Hans Lundgren, Adviser, Vattenfall AB
- Mr Michael Brown, Secretary, Cogen Europe
- Mr Ian Brown, Senior Adviser, Hungary-EC Energy Centre
- Dr Gregory J Yurek, President & Chief Executive Officer, American Superconductor Corporation

Financial Times Conferences in association with FT Newsletter Power in Europe.

For information about Business Development opportunities please contact Lynette Northey on 071 814 9770.

WORLD ELECTRICITY
Please tick relevant boxes.
☐ Conference information only.
☐ Information on the FT Newsletter "Power in Europe".
☐ Cheque enclosed for £804.88, made payable to FT Conferences.
☐ Please charge my Mastercard/Visa/AMEX with £804.88.
Card no ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐
Name of card holder ....
Exp. date .... Signature ....

Please return to: Financial Times Conference Organisation, PO BOX 3651, London SW12 8PH. Tel: 081 673 9000 Fax: 081 673 1335.
World Electricity £685 + Vat
Name Mr/Mrs/Miss/Ms/Other ....
Job Title .... Dept ....
Company ....
Address ....
.... PostCode ....
Tel .... Fax ....

CONTRACTS & TENDERS

SOLIDERE

The Lebanese Company for the Development and Reconstruction of the Beirut Central District, S.A.L.

Prequalification of contractors to design and build sea-front defenses in the Beirut Central District

Established on May 5, 1994, the Lebanese Company for the Development and Reconstruction of the Beirut Central District, SOLIDERE, is in charge of financing and executing infrastructure and marine works within the city center of Beirut and of developing this area, spreading out over 1.8 million square meters.

SOLIDERE will also treat a dumping site of 250,000 square meters, created on the waterfront during the war in the absence of an alternative site for refuse. Disfiguring the coastal facade of the city, this major local and regional environmental problem, will be treated, transformed, and expanded into development and public lands of approximately 600,000 square meters to include a vast green park, a seaside boulevard, tree-lined promenades, and residential, commercial and office spaces.

The reclaimed land will be protected against storms by sea-front defense structures extending over a distance of more than 1000 meters. The structures form part of a double line of defense, comprising a row of submerged caissons, some reaching 19000 tons each, a lagoon and a series of quays and promenades. The caissons will be in water depths of about 20 meters with a crest level at + 0.5 meters so that they will remain invisible from the shoreline, providing an unobstructed view of the sea. A marina will be constructed at each end of the sea-defense structures.

SOLIDERE wishes to develop a bidders' list for the Design and Construction of the sea-protection works highlighted above. International contractors who have already executed similar works, and who have access to the appropriate type of equipment, are invited to submit a pre-qualification document to the address below, to be received not later than November 15, 1994.

Contractors who have already submitted an Expression of Interest document for these works do not need to take further action, unless they wish to add to the information already provided.

Based on the information received from contractors, SOLIDERE will establish a short list for invitation to tender.

Address:
The Lebanese Company for the Development and Reconstruction of Beirut Central District, S.A.L.
Development Division
Riyadh el Solh Street
Industry and Labor Bank Building
P.O.Box 119493 . Beirut - Lebanon

SOLIDERE

For necessary documents and further information, please contact Imad DANA.
Tel. 646128/ Cellular 1(212) 478 3915 . Fax 646133/ Cellular 1(212) 444 8165

MANAGEMENT: MARKETING AND ADVERTISING

Audit rivals contest

The normally peaceful world of auditing magazine circulations, the key currency for advertising, is being disturbed by the first stirrings of serious competition.

BPA International, the US-based body responsible for auditing the circulations of more than 1,600 magazines, mostly in the US, is increasingly moving into Europe, and the UK in particular.

The organisation already serves 67 magazines in the UK but has now set up a European sales and marketing office, much to the irritation of the official British audit body the Audit Bureau of Circulations. Both BPA and the ABC are non-profit making bodies.

Joseph Foley, BPA's international director, believes he is bringing extra choice and higher standards of verification to the UK marketplace, at a time when publications are becoming more international.

BPA says it provides detailed information on who a magazine goes to in terms of job title, something that is not part of the standard ABC audit.

John Beadell, chief executive of the ABC, says his procedures are among the most stringent in the world, certainly comparable to those of the BPA and that more detailed information was introduced with the ABC Profile in 1991.

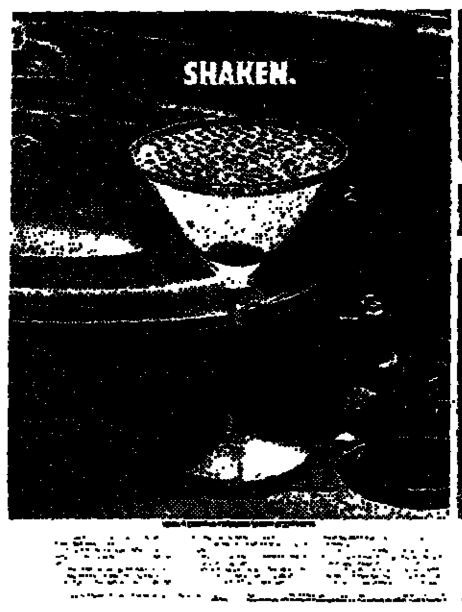
"There's not going to be a war. It would damage the integrity of circulation audits," he says.

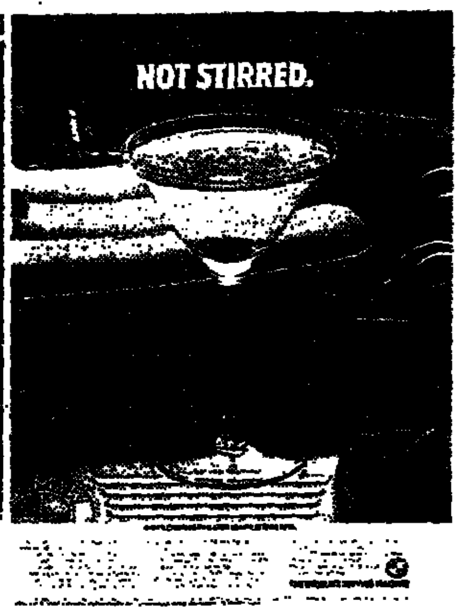
Organisations such as the Periodical Publishers Association believe advertisers, agencies and publishers want a single currency for comparing magazine circulation in the UK and it should be the ABC.

"Two competing currencies in the same marketplace must devalue both through undermining confidence," Ian Locks, chief executive of the PPA, says.

He fears the next stage in the competition will mean players having to buy both sets of data – thereby doubling the cost.

Raymond Snoddy





Top prizes: Agency WCRS won the overall award for its BMW ads; and Bartle Bogle Hegarty placed first in the new launches category for its Boddingtons campaign

The hunt for a classic

Diane Summers on this year's UK Advertising Effectiveness Awards

A new advertising campaign is launched and, as a result, sales surge. Rarely is life that simple, as this year's winning entries for the UK's Advertising Effectiveness Awards, unveiled on Tuesday, demonstrate.

The awards, unlike the thousands of other trophies the advertising industry loves to bestow on itself each year, are not for creative excellence, artistic merit, brilliance of execution or originality of concept.

Instead, the biennial awards, organised by the Institute of Practitioners in Advertising, are given for case histories, often laden with dry statistics, which succeed in demonstrating how an advertising campaign has contributed to a product or service's commercial success.

This year's overall winner – Tim Broadbent at WCRS, for his study of the agency's advertising for BMW over the last 15 years – illustrates the complexity of evaluating effectiveness when there is no "big bang" of a new campaign.

As Broadbent points out: "New advertising can give a sudden twitch to the needles of research dials, which makes it easier to demonstrate how changes in consumer attitudes coincide with changes in sales." By contrast, his job was to convince the judges that consistency of message over time was the essence of the agency's success in its advertising for BMW.

When BMW (GB) was established in 1979 to take over from the previous distributor, it set objectives of maintaining high profit margins while trebling sales by 1990 from 13,000 new cars a year to 40,000. These objectives have been achieved and BMW in Britain has outperformed the market, thanks partly, argues Broadbent, to WCRS's "ultimate driving machine" campaign which has run throughout the whole period.

By using comparisons with BMW's performance in other European markets, he picks off factors such as price, distribution and product improvements which could have accounted for BMW's outstanding sales growth in Britain. Broadbent's calculation is that advertising expenditure of £91m since 1979 has helped to generate approximately £3bn in extra sales during that time. "The value of BMW's brand-building campaign seems beyond question," he concludes.

The essence of the advertising has been a consistent tone of voice, with the car as the master of each ad. Says the case study: "There are few humans or signs of humans, because humanity can suggest fallibility, whereas BMWs are shown as precise, cold, technical icons with jewel-like perfection." There are no contrivances "to add superficial glamour, such as stately homes, sunsets or glamorous blondes".

It is difficult to imagine anything further from the BMW world than Boddingtons, the beer billed as the "cream of Manchester". The case study of Boddingtons' advertising, by Guy Murphy at agency Bartle Bogle Hegarty, won the category for products or services which are new, or have no significant history of advertising.

When Whitbread bought the Boddingtons brewery in Manchester in 1989 it was faced with the task of transforming the bitter into a national brand without alienating its existing regional drinkers. Exploiting its attribute of being creamy-looking when poured, BBH focused on the product, rather than the user – a more common tactic in the advertising of bitter brands. The agency also avoided the traps of regional stereotyping. The campaign that was developed strongly linked product appearance to product delivery – the creamy appearance to smooth taste.

The agency rejected television advertising to launch the campaign, deciding, instead, on targeted press advertising which would reach "premium" beer drinkers. The outside back covers of magazines, in particular, were used to build up awareness. It was only after two years that TV advertising was added, as Whitbread gradually built up its advertising spending on Boddingtons from £1.8m in 1991 to £4.5m last year.

The brand, which includes Canned Boddingtons, as well as Boddingtons Bitter, has grown three-fold since its acquisition and is now the UK's fourth largest bitter brand. Like the BMW case history, the Boddingtons study works through the factors which have had an effect on the brand's growth and attempts to single out and value advertising's contribution.

This value emerges as 6.1 per cent of total sales, which Whitbread confirms more than clears the cost of the campaign in the short term, while laying the foundations for the long-term success of the brand.

Chris Baker, planning director of agency Bainsfair Sharkey Trott, who was convenor of the judges, says the BMW and Boddingtons campaigns were "major marketing successes in which the decisive role of advertising has been clearly demonstrated" and both were characterised by a high degree of originality in strategy and execution.

BMW won the day because of its "sustained success and consistent implementation" over 15 years, said Baker. The cream of Manchester will have to wait until the end of the millennium to see if it has achieved classic advertising status.

A pull-out with all the award winning case studies was published with yesterday's FT.

Advertisers neglect the reality of home life, says **Matthew Batstone**

Men on the supermarket shelf

The reality is a nation with the highest divorce rate in the EU, 31 per cent of births outside marriage and a fifth of children raised by single parents.

Yet despite the fact that men are forced to run their domestic affairs as never before, images of smiling, 30-something British housewives still dominate advertising for grocery products.

Men living alone represent 11 per cent of UK households, and even within the family the conventional role of woman as housewife is being eroded.

While women continue to do most of the household tasks, men no longer escape the chores as they used to, according to a survey carried out by the Henley Centre for the supermarket group Asda. Men shop for an average of two and a half hours a week, against an average of four for women.

The Henley survey suggests that 38 per cent of men claim to have personally selected more than half of the items they had bought from supermarkets. Twenty six per cent of men claim actually to enjoy shopping and a stereotype-defying 46 per cent say that cooking is a real pleasure.

When men shop they are more likely to buy brands and spend on average 5 per cent more than their female counterparts – on the face of it a manufacturer's dream.

Donald Kerr, planning director at the advertising agency J. Walter Thompson, believes that an opportunity is being missed because "conventional thinking views women as the housewife. Many companies still see women in their pre-new man role". He attributes this partly to attitudes created by the recession, which have left a culture of caution among Britain's marketing community. But his main contention is that "many marketers and advertising executives don't take their home to work".

If they remembered the reality of their own homes while wearing their suits, many of Britain's brands could have a very different orientation.

Such suggestions are dismissed by Jerry Wright, marketing director at Lever Brothers, a company with a large portfolio of grocery brands.

"The bulk of our brands are targeted at women, who still do the bulk of shopping," he says, "but we do pick up a lot of men with our advertising."

Wright concedes, however, that men represent a valuable franchise for grocery manufacturers. "I think there is a feeling that men are more likely to buy brands, because they have less knowledge and feel less sure of themselves than women."

Wright believes men can be victims of a kind of commercial Oedipus complex. "They are often tempted to buy the brands their mother used to use," he says.

Even so Lever Brothers has not tried to develop a niche.

When men shop they spend on average 5 per cent more than their female counterparts

male-oriented grocery brand and the company has not even carried out any specific research into this opportunity. "The needs of men as consumers of washing powder, for instance, are not distinct enough," says Wright, "although you might argue that young men would be interested in a heavy soiling product, because they play more sport."

Wright believes most grocery brands are sufficiently accessible to men. "Most brands in this category don't say too much about you as a person, so buying one with a feminine image would not give the majority of men a problem."

Lever Brothers' rival Procter and Gamble is currently screening an advertisement showing a man cleaning the kitchen floor for his wife. A sign perhaps that advertisers must increasingly reflect life as it is, rather than recreating the kind of scenes that were looking dated even in the 1950s.

ARTS

Cinema/**Nigel Andrews**

Goodbye, Mr French Fries

Few in this island will have restrained a giggle at the vision of British boarding school life presented in the recent *Smoking/No Smoking*. Alain One (Resnais) hijacked Alan Two (Ayckbourn) to give us what seemed a cross between P.G. Wodehouse and the wilder scenic fancies of Fragonard. For non-Britons, it was clear: Idiocy plus Idyll equals the public school.

So naturally we turn to *The Browning Version* for realism. Produced by Ridley Scott and directed by Mike Figgis (*Stormy Monday*, *Mr Jones*), this stars Albert Finney as the unloved, dicky-hearted classics teacher of Terence Rattigan's stage play. All these chaps are British, so we should be safe.

But wait. Ten minutes into this tale of Andrew Crocker-Harris and the heartless, unpensioned retirement forced on him by his school, and we are hankering for the documentary exactitudes of Resnais. This tweedy, stilted place seems even more unreal than Resnais' Franglais-sur-mer College.

An hour in – after we learn that the hero's wife (Greta Scacchi) is canoodling with the American chemistry teacher (Matthew Modine), who has been hired on an exchange basis with Hollywood, and that Greta will never show Albert as much love as does the one grateful pupil who gives him the eponymous Aeschylus translation as a parting gift – and we feel that some serious surrealism is setting in.

All these odd Caribbean complexions. For this is a Paramount-produced film and no American (the studio's thinking probably goes) will believe that public schools are actually filled with pale, spotty people who look as if they spent their formative years in a badger tunnel.

And then there is that odd cricket match in which the fielders cry "Howzat!" when someone is bowled. And then there is that overcranked ending when the whole school rises to applaud Crocker-Finney's farewell speech as Crocker-Scacchi stands at the rear of the hall shedding – yes! – a silent tear as the music by Mark Isham (*A River Runs Through It*) swells.

Unbelievable. In all senses. The only actor to stem the tide of implausibility is Albert Finney, bravely reaching out for moments of truth and unexaggerated poignancy from his toby-jug frame.

The rest of the film, wrongheadedly updated from Rattigan's period-perfect original, is made for the age of synthesised, fast-food foreign culture tasting. Goodbye, Mr French Fries.

THE BROWNING VERSION (15)
Mike Figgis

RAPA NUI (12)
Kevin Reynolds

FEAR OF A BLACK HAT (15)
Rusty Cundieff

MAJOR LEAGUE II (PG)
David S. Ward

LONDON FILM FESTIVAL

Rapa Nui, a South Seas epic by Kevin Reynolds (director of the Kevin Costner *Robin Hood, Prince of Thieves*), speculates on how Easter Island may have become a treeless wilderness filled with statues.

In the late 17th century, the film hazards, the Short Ears tribe fought the Long Ears after the LEs had spent many years forcing the SEs to build those rock figures topped with weird visages. Palms were felled to provide scaffolding and rolling tracks. Food ran out. Natives got restless.

Things came to a head during the annual Birdman race, in which Noro (Jason Scott Lee, Long Ears) vied with Make (Esai Morales, Short Ears) to be the first man to swim back from the neighbouring island and shin up the sheer cliffs with an unbroken egg strapped to his forehead.

The victor of this early, remarkable *jeu sans frontières* – we keep expecting the late Eddie Waring to burst out with "*And* a fine move there by the Long Eared team . . ." – will win both power and the hand of the beautiful Ramana (Sandrine Holt). She has been in the Cave of the Virgins for six months, though spoiling the sacrificial effort by emerging pregnant.

Meanwhile the island's absentminded ruler (Eru Potaka Dewes) frets over his multiplying statues – "One day we'll get these right," he waves – and the evil high priest (George Henare) keeps sending islanders to a better world by hitting them with a paddle.

I shouldn't have, but when not laughing I loved this film. Knee-deep in the ridiculous, *Rapa Nui* also keeps clawing its way to the sublime. I wish I had tape-recorded the press show reaction. We all began by giggling into our handouts. By the close you could hear a pin drop.

By the close the plot has become so surreal that it is worthy of Werner Herzog. The coda involves a journey to a magically whitened island – the next world? – as eerie as anything in *Aguirre* or *Heart Of Glass*. It crowns a movie whose visual spectacle – it was actually shot on Easter Island – keeps transcending its bathetic dialogue and pained plot ingenuities. And even those are not so pained as to have stopped 30 critics inching to the edges of their seats as the Birdman race entered its majestic delirium of seas, rocks, sharks and cliffs.

*

The director, writer and cast of *Fear Of A Black Hat* – broadly one and the same person, Rusty Cundieff – should be despatched to Rapa Nui immediately. It would be punishment for giving us 88 minutes of rapper phooey: a dismal spoof documentary in the *Spinal Tap* tradition in which Cundieff and pals, as the band NWH (Niggaz With Hats), strum chords and crack jokes with all the élan of street buskers in Hell.

Major League II is worse. Charlie Sheen, Tom Berenger and the rest are back for fun and games in the world of baseball. Since this sport is more obscure to British audiences even than the Great Easter Island Birdman Handicap, we are completely at sea even when we are on dry land.

In such a week you will welcome alternative choices. But can one have too much choice? The 38th London Film Festival begins next Thursday and once more offers a powerful argument for owning several sets of eyes and ears and an ability to sit in three cinemas at once.

There are almost 200 feature films this year, but I have run out of ideas for being rude about the LFF's size. If London wants its main movie event to be an undiscriminating chaos, let it. If it wants to fill up theatres and silt up minds with the detritus of the year's other festivals – what on *earth* are films like Jiri Menzel's feeble *Adventures Of Private Ivan Chonkin* and Mario Brenta's catatonic *Barbabo Of The Mountains* doing here? – let it.

As critics we can only stand between you and the National Film Theatre, offering some aesthetic point duty as you swarm towards the celluloid.

Here are my Top Nine. Atom Egoyan's *Exotica*: a mazy mind-thriller about sex, memory and identity. Ang Lee's *Eat Drink Man Woman*: a "Three Sisters" with food, funny and poignant, from the maker of *A Wedding Banquet*. Peter Jackson's *Heavenly Creatures*: artfully OTT in its recreation of a New Zealand murder scandal. Nanni Moretti's *Dear Diary*: artfully UTT in its scenes from the life of the wry director/comedian (Rome's answer to Woody Allen).

Louis Malle's *Uncle Vanya On 42nd Street*: eavesdropping on a heart-stopping reading/rehearsal by a Broadway stage company. Anna Campion's *Loaded*: fine psycho-gothic from the sister of Jane (*The Piano*). Mika Kaurismaki's *Tigrero*: inspired docu(mock-u?)mentary about filmmaking veteran Sam Fuller. Rith Panh's *Rice People*: Hardyesque tale of the land from Cambodia. Tsai Ming-Liang's *Vive L'Amour*: Venice Golden Lion-winning puzzle picture, witty and erotic, about abstracted lives in semi-abstract settings.

All this and Kenneth Branagh's *Frankenstein* to open the event. Book now while seats and stamina last.

Greta Scacchi in 'The Browning Version': an unbelievable and implausible reworking of Terence Rattigan's stage play

Concert

Tireless Solti fires up LSO

Not everybody is joining in the London Symphony Orchestra's birthday celebrations. Reflecting on last year's bruising battle for cash, the managing director of a rival London orchestra recently observed sourly that only the LSO kept its mouth shut when the time came for the orchestras to stand up for fair play.

Out of range of the firing line, the LSO had clearly decided its own interests were best served by keeping its head down. Alone of the London orchestras, it had not been required to present itself as a competitor for funds, in effect judged a winner before battle commenced.

The LSO is certainly entering its 90th birthday season in fine fettle. Unlike its London rivals, it is not in debt, has a secure home, and is in a position to plan for its future with confidence.

On Tuesday it presented a gala concert to benefit the LSO Millennium Fund (such hubris, when the other London orchestras will be glad to survive as far as the millennium at all!). The event was also part of the "Great Orchestras of the World" series at the Barbican, which seems rather a cheat when the purpose of the event is to promote visiting foreign orchestras, but perhaps a point was being made there, too.

The LSO likes to see itself on a par with the leading orchestras of Europe and the US. Tuesday's concert – an all-Brahms programme under Georg Solti – was not the best evidence to support that claim, but at least the playing was strong and vital.

Ironically, the main competition recently in Brahms' First Symphony was at the Proms with the Dresden Staatskapelle under Colin Davis, the LSO's own music director elect, who performed the music with the utmost refinement.

In his LSO appearances over the past few years Davis has started to instil some of that well-bred finesse, but Solti clearly prefers the LSO as it used to be. His Brahms was a high-octane drive down the symphonic fast lane, arteries pumping with tension, foot down on the volume control.

It is astonishing that Solti in his 80s still has this kind of energy. As the last movement powered towards its conclusion, he was bounding from side to side of the podium, arms jerking violently through the air as though whipping the final chords into place.

There was limited scope for the autumnal Brahms to show his face, either here or in the Violin Concerto. Itzhak Perlman's view of the solo part as an outpouring of lyricism, unfailingly sweet in tone and generous with portamentos, really presupposes a different kind of performance.

Apparently tireless, Solti ended the evening by throwing in the overture to Rossini's *Il barbiere di Siviglia* as an encore. Only a few years and he will be enjoying a 90th birthday season himself.

Richard Fairman

Sponsored by JVC (UK) Ltd.

Theatre/**Alastair Macaulay**

The Prime of Miss Jean Brodie

"And she is mine for life." We do not need to be "of an impressionable age" – we do not even need to be female – to recognise that, in Miss Jean Brodie, Muriel Spark created a mythic heroine, absurd and disturbing, who embodies all the inspiring yet misguided teachers whose attention at school we once tried to win.

On the one hand, this Edinburgh schoolteacher enjoying her prime in the 1930s, is an icon as camp and transparent and quoteworthy as E.F. Benson's Lucia – whom she so closely resembles, with her linguistic and cultural pretensions. On the other, she is a pathetic martyr – sacrificing adult love for the sake of her teaching and "her girls", intoxicating them with misplaced Romanticism, and wilfully making false predictions of the glorious futures ahead of them. What are those futures but projections of the lives she herself might have led?

Between these two extremes, Miss Brodie is "loveable" – a word that acquires crucial importance at the end of the play. Her girls love her, and two of her male colleagues are in love with her. She herself talks repeatedly of the importance of love. Yet love is what she has placed on the altar of teaching. And it is in her prediction that Jenny will be a great lover, a D.H. Lawrence heroine, that she most obviously tries to make her students live her life by proxy. She errs more criminally, however, in stuffing fascistic propaganda into the girls' heads: which leads to the death of poor, silly Mary MacGregor.

Indeed, her only true prediction is that Sandy will be a spy. Sandy, the cleverest girl in the class, becomes the Judas among the Brodie girls, because she sees that Miss Brodie has been betraying them. This is one of the ironies in which Spark's tale abounds. The play which Jay Presson Allen made of the book catches many of them, though it goes overboard at first on the Brodie clichés and campery.

The role of the heroine was a vehicle in the 1960s for Vanessa Redgrave (onstage) and Maggie Smith (on film); and in the 1970s Geraldine McEwan starred in an excellent TV version.

It was time for a new Miss Jean Brodie, and it was possible that Patricia Hodge might be good in the role. She has the bite, the elegance, the element of frigidity. She is, however, neither loveable nor intoxicating. And, with Alan Strachan's direction, her performance stays entirely on the surface.

I do not mean that she makes overmuch of the role's camp bravado, but simply that she never really reveals a nervous system. There are psychosexual connections between Miss Brodie's repressed love and everything most characteristic about her teaching, but here no one helps us see them until the words spell them out late in the proceedings. Hodge has her moments, especially when speaking or behaving quietly; but moments do not make a role.

The most persuasive performance is given by David Yelland as Teddy Lloyd, the married art master whom she loved and who loves her, though Strachan has let Yelland be too dour. Edith Macarthur, as the headmistress Miss Mackay, lacks gravitas, and Simon Scott, as the music teacher Mr Lowther, gives the most superficial performance of all. The brief 30-years-later scenes, which add such resonance to the story, are tepidly played here. Jackie Morrison as Sandy gives a very fair account of a tricky role.

But Strachan's direction fails most obviously in his handling of schoolgirl life. He makes it a kind of *Mallory Towers*; whereas the life of the Brodie girls, however funny, should be psychologically sharp and alarmingly real. Miss Brodie needed to be revived, but here she and her world are too safe, too light, too neat.

At the Strand Theatre, WC2

Recital/**Adrian Jack**

Occasion to celebrate

Joanna MacGregor devised a beautifully balanced recital programme for the Wigmore International Piano Season on Saturday and somehow charmed the hall's notoriously lazy Steinway into gentle manners. Sceptics might say she did not venture anything new, right down to the Thelonious Monk encore, *Round Midnight*, on which she lavished as much colour as on Ravel's *Miroirs* before the interval. Still, perhaps this occasion was something to celebrate rather than an opportunity to experiment.

She began with Bach's French Suite Number Five in G major – a fluent performance with lots of light and shade, and abundant, effortless ornaments in the opening Allemande. Each movement sang, though she took the Courante very fast. The Loure, with its rhythmic intricacies, slithered along naturally, and the final Gigue raced at a speed which was exciting because it was so neatly controlled.

In the first of Ravel's *Miroirs* – Noctuelles – she enjoyed caressing the most velvety sonorities, and in the second – Oiseaux tristes – she captured a vivid sense of tropical torpor. Une barque sur l'océan and Alborada del Gracioso brought out her sense of élan and flamboyance before the quiescent, dusky tolling of the final piece, La vallée des cloches.

MacGregor is never precious, and even though Schumann once said he had put on his "frilly dress" to compose *Kinderszenen*, she took a straightforward approach to the cycle. That was all to the good – after all, Schumann told his pianist wife Clara she must forget she was a performer when playing the pieces – but if the title of Glückes genug implies no extremes of feeling, MacGregor left it seeming rather ordinary. On the other hand, her freedom with the pulse in Kind im Einschlummern made the process of dropping true to life, but unnecessarily elaborate.

Seven of Chick Corea's *Children's Songs* made a nice sequel, as well as a contrast. Number Four, with its pliant, melancholy tune over rocking triplets, seemed tailored to suit MacGregor's sleek and limpid style, while the tangy harmonies and propulsive rhythms of Number Twenty sounded closer to Corea's jazz-rock music.

Which led neatly to MacGregor's more demanding final choice, the imposing Sonata which Bartok wrote in 1926. The rugged fistfuls of notes and stamping rhythms in the first movement recall the mean, but not so lean, First Piano Concerto of the same vintage. The slow middle movement is spare and grim, while the finale becomes a frenzied dervish dance.

It is possible to imagine performances which would have shaped the music's angular features more acutely than MacGregor's, but still, *it* had plenty of zest and probably enough harshness for most people.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight: Wolfgang Gönnenwein conducts a Mozart choral and orchestral programme. Tues: Arturo Sandoval jazz concert. Wed: Janos Starker cello recital. Nov 4: Anna Tomowa-Sintow sings operatic arias (01-728 2333/01-722 5511)

■ BOLOGNA

Teatro Communale Sat, Sun: Eliahu Inbal conducts Orchestra of the Teatro Communale in a symphonic programme. The opera season opens on Nov 26 with a new production of Rossini's Il turco in Italia (No telephone bookings. Information: 051-529999)

■ LONDON

THEATRE

● The Editing Process: after much speculation about whether he would direct a new play at the Royal Court, artistic director Stephen Daldry plumps for an almost unknown writer rather than one from the safe stable of talent associated with the Court. His choice of Meredith Oakes may prove to be visionary: her play The Neighbour received unanimous praise earlier this year, and her new work is a black comedy on the creative process in the publishing world. Previews start tonight, Press night next Wed (Royal Court 071-730 1745)

● Three Tall Women: Edward Albee's critically-acclaimed Pulitzer Award-winning play stars Maggie Smith, Frances de la Tour and Anastasia Hille as the three tall women - an ageing dowager, her carer and her lawyer. The play is an examination of different stages in the women's lives and of the young man, the dowager's son, who has affected them all. Directed by Anthony Page. Previews begin tomorrow, opens on Nov 15 (Wyndham's 071-369 1736)

● The Prime of Miss Jean Brodie: Patricia Hodge takes on the role of the formidable schoolteacher whose mix of romance and wilfulness inspires her pupils. Jay Presson Allen's stage version of Muriel Spark's novel has just opened in its first major London revival since the original production of 1968 (Strand 071-930 8800)

● Romeo and Juliet: Dusseldorf Schauspielhaus comes to London next week for four performances of Shakespeare's play, directed by Karin Beier (Nov 2-5). This is the first in a series of International Shakespeare events at the Barbican, including an adaptation of King Lear from Japan and Peter Sellars' Chicago production of The Merchant of Venice (Barbican 071-638 8891)

● The Sisters Rosensweig: Michael Blakemore directs Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's Broadway hit comedy about three American Jewish sisters who have a mid-life reunion in London (Old Vic 071-928 7616)

● Moscow Stations: a one-person play, starring Tom Courtney, inspired by Venedikt Yerofeev's acclaimed modern Russian tale about an alcoholic who stumbles and dozes his way through a series of surreal adventures (Garrick 071-494 5085)

● The Devil's Disciple: Christopher Morahan directs the National Theatre's production of Bernard Shaw's 1897 satire on melodrama, which features a romantic villain who comes good. The cast is headed by Richard Bonneville as Dick Dudgeon (National, Olivier 071-928 2252)

● The Children's Hour: Howard Davies directs the National Theatre's new production of Lillian Hellman's 1934 drama, about a vengeful schoolgirl who accuses her teachers of having a lesbian affair and sets in motion the collapse of their world. The cast is headed by Harriet Walter and Claire Higgins (National, Lyttelton 071-928 2252)

● Arcadia: Trevor Nunn directs Tom Stoppard's complex but often funny drama that won the 1994 Olivier Award for Best Play (Haymarket 071-930 8800)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Opera's new production of Gounod's Roméo et Juliette, staged by Nicolas Joel and conducted by Charles Mackerras, opens tomorrow with a cast led by Roberto Alagna and Leontina Vaduva (repeated Nov 1, 4, 9, 12, 15, 17). There is a final performance on Sat in the current run of Die Walküre, with cast led by John Tomlinson, Deborah Polaski, Poul Elming and Ulla Gustafson. Gwyneth Jones stars in Turandot next Mon, Wed and Sat, and the Royal Ballet returns next Thurs with Anthony Dowell's new production of Sleeping Beauty (071-304 4000)

Coliseum English National Opera has Ian Judge's new production of Massenet's Don Quichotte, with Richard Van Allan, Alan Opie and Louise Winter (till Nov 9), Nicholas Hytner's staging of Die Zauberflöte (till Dec 7) and a final performance tonight of Tosca with Rosalind Plowright, David Rendall and Henk Smit (071-836 3161)

Sadler's Wells American performance group Momix is in residence till Sat. French dance troupe Compagnie Angelin Preljocaj gives performances on Mon and Tues (071-278 8916)

CONCERTS

South Bank Centre Tonight: Mariss Jansons conducts the London Philharmonic in works by Beethoven, Bruch and Strauss, with violin soloist Julian Rachlin. Tonight (QEH): Frans Brüggen conducts Orchestra of the Age of Enlightenment in a Bach programme. Tomorrow: Owain Arwel Hughes conducts LPO in Dvorak, Bruch and Brahms. Sat: Nikolaus Harnoncourt conducts Philharmonia Orchestra in the first concert of a Beethoven symphony series (the others are Oct 31, Nov 7, 10, 13). Sun afternoon: Nelson Goerner piano recital. Sun evening: Adrian Leaper conducts RPO in Tchaikovsky and Rakhmaninov, with piano soloist José Fegali. Tues, Wed: Mariss Jansons conducts LPO in Schubert, Brahms and Beethoven, with violin soloist Kyung-Wha Chung (another Jansons concert follows on Nov 6). Nov 5, 12: Maurizio Pollini (071-928 8800)

Barbican Tonight: Itzhak Perlman violin recital. Tomorrow: Leon Lovett conducts English Baroque Choir and Orchestra in Bach's B minor Mass. Sun: Joe Loss Big Band. Mon: Young Musicians Symphony Orchestra plays popular classics. Next Wed and Thurs: Mstislav Rostropovich conducts the London Symphony Orchestra in Balakirev, Shostakovich and Prokofiev. Nov 5: Gothenburg Symphony Orchestra. Nov 6: John Williams guitar recital. Nov 8 and 9: Seiji Ozawa conducts LSO (071-638 8891)

■ GENOA

Teatro Carlo Felice Tomorrow, Sat afternoon: Alexander Lazarev conducts orchestral works by Rimsky-Korsakov, Prokofiev and Sibelius, with violin soloist Julia Krasko (No telephone bookings. Information: 010-589329/010-5381 225)

■ MADRID

Teatro Lirico La Zarzuela Tonight: Victoria de los Angeles song recital (01-429 8225)

■ MILAN

Teatro alla Scala Tonight: Georg Solti conducts London Symphony Orchestra. Mon: Francisco Araiza song recital. Sat, next Tues, Wed, Thurs: Ballet of La Scala in works by Balanchine, Tudor and Lander. Nov 5, 8, 9, 10: Kenneth MacMillan's Manon. Nov 6: Dmitri Alexeev piano recital. Nov 7: Jean-Claude Malgoire conducts Vivaldi. Nov 14, 16, 17: Murray Perahia is piano soloist with the Scala orchestra. Dec 7: opera season opens with Die Walküre (02-7200 3744)

■ PRAGUE

Rudolfinum Tonight: Robert Stankovsky conducts Czech Philharmonic Orchestra in works by Martinu, Hummel and Haydn, with trumpet soloist Hakan Hardenberger. Sun: Petr Vronsky conducts Moravian Philharmonic Orchestra in works by Dvorak (02-2489 3352)

State Opera Sat: first night of new production of Gottfried von Einem's Kafka opera Der Prozess (repeated Nov 3, 27, Dec 28). Repertory also includes Tosca, Carmen, Jenufa, Aida and Nabucco (02-2421 5031)

■ ROME

Lü Jia conducts the Orchestra dell'Accademia Nazionale di Santa Cecilia on Sun, Mon and Tues in works by Tutino, Ravel, Brahms and Dvorak, with piano soloist Krystian Zimerman. The orchestra's programme in the pre-Christmas period features Vladimir Spivakov, Arturo Bonucci and Cecilia Gasdia as soloists. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Scott's clean sheet

Tony Jackson speaks to Al Dunlap, the papermaker's tough boss


Dunlap: big disposals at Scott

The Philadelphia headquarters of Scott Paper, the world's biggest tissue maker, are a pleasant sight on a fine autumn morning: squirrels scamper by the pond and the flags of nations flap in the breeze.

Mr Al Dunlap, Scott's new boss, hates it. The success of a corporation, he says, is in inverse proportion to the size of its headquarters. Corporate HQs are monuments to the chief executive's ego. Scott's is up for sale.

So is much of the rest of the company. Earlier this month Mr Dunlap sold its coated papermaking business for $1.6bn. On Monday he sold its power stations for $350m. Still to go are its woodlands and pulp mills, bringing the grand total, he hopes, to $3bn.

Since Mr Dunlap arrived as head of Scott Paper in April, 34 per cent of its worldwide staff – 11,000 people – have lost their jobs. He believes this is a record: IBM may have sacked more in absolute numbers, but their proportion was a mere 13 per cent. He is particularly proud of the fact that 71 per cent of Scott's headquarters staff have gone, including nine of its 11-strong executive committee.

The result of all this, he says, is "one of the great stories in corporate America today". When he arrived, Scott was "a stodgy old company which had totally lost its way". In six months, he has turned it round. The proof lies in the only criterion he cares about: the share price has risen more than 60 per cent.

Mr Dunlap started out as a military man, and it shows. An ex-paratrooper with a parade-ground voice, he had his first taste of management running a nuclear missile site near Washington in the early 1960s. After a career in industry which began with Scott's rival, Kimberley Clark, he spent the late 1980s as chief hatchet-man for Sir James Goldsmith, the Anglo-French financier. Had Sir James's bids for either US group Goodyear Tire or BAT Industries, the British conglomerate, succeeded, Mr Dunlap would have been sent in to run them.

His admiration for Sir James remains unstinting: "Clearly the smartest person I ever met in my life, and the next was a footnote to him." In everything, he says, they thought alike. The alliance seems an odd one: Sir James, the polished Old Etonian, and Mr Dunlap, the son of a shipyard worker from Hoboken, New Jersey. But each is in his own way an outsider; and nowhere is this more evident than in their shared contempt for corporate America.

"Sir James and I coined the phrase 'corpocracy' – companies run for the benefit of bureaucrats rather than the shareholders. I take the simple view that the shareholders run the company. They take all the risk. Show me the company which pays the shareholders back if things go wrong, and I'll show you the company that can afford to ignore them.

"Scott was a microcosm of that. Its shareholders would have been better off captured by terrorists. They'd have been treated better."

The $3bn he is raising through the sale of assets, he says, is equal to $40 a share. "When I joined the company, the share price was $37.75. Back in the Goldsmith days, that would have been a godsend. You could have bought the world's biggest tissue company for nothing."

Those responsible have paid the price. "When you do a turnround, you must by definition get rid of the top people. They're the people who got it wrong, and if they did it once they'll do it again. Every corporation has a culture. In a corporation which is not doing well, you must eradicate the culture." He thumps the table.

The problem about turnrounds, he says, is that people dislike change and respond to it with criticism. "That's where managers fail. They succumb to criticism. I don't have that problem. If you want to be liked, get a dog: in business, get respect." (He himself has two dogs. Sir James's comment on this was: "I see you're hedging your bets.")

Now that the turnround Mr Dunlap has engineered with such shocking suddenness is almost complete, where does Scott goes from here? Mr Dunlap shrewdly recognises that he has an image problem on this. He is indelibly associated with the corporate raiders of the 1980s, of whom the standard criticism was that they could cut costs, but they could not build.

He is quick to reject the charge. It was never as true as people said, he claims. Sir James and he invested far more than people gave them credit for, and he is investing a lot in Scott now: in a new venture in China, in Mexico, in Arizona.

Ask him where the world leader in tissues goes from here, and he instantly says it is not the leader, just the largest. "We're not the best. Our best competitor now is probably Procter & Gamble. They're a good marketing company." He has just recruited an ex-Procter man to run his marketing.

Besides, he observes, much of the paper industry is more concerned with tonnages than with making money. "I asked a guy here how much we made in a particular grade, and he said, so many tonnes. I said, what's that in dollars? And he said, I'll come back to you.

"I thought, this guy's a humorist. I enjoy a joke, I was waiting to see what he'd come back with. It turned out he was serious." It seemed superfluous to ask what happened next.

Since he joined the company, he has invested $4m of his own money in Scott shares. In a move calculated to cause a flutter in corporate America, he has decreed that all non-executive directors will be paid exclusively in company stock.

The shareholders, he insists again, are all that matter. "If you're paid to run the corporation, then by God run the corporation. If you do your job and pay your taxes, the rest takes care of itself."

ECONOMIC VIEWPOINT

Awful 'vision' but some good ideas

By Samuel Brittan


Sir Gordon Borrie, chairman of the Commission on Social Justice

The best of 'Borrie'

- Pension Guarantee to help poorer pensioners
- Easier access to Family Credit
- Higher earnings 'disregards' for unemployed
- End of Married Couple's Allowance
- Higher rate taxation of Child Benefit

A frequent criticism of policy groups is that their principles are fine, but they are short on detailed proposals on how to implement them.

The report of Labour's so-called Commission on Social Justice – chair Sir Gordon Borrie – is just the opposite. The principles vary between the platitudinous, the meaningless and the wrong-headed. But there are some good individual proposals, which needed to be rescued from the surrounding material with a greater exercise of charity and imagination than the commission members were willing to extend to their own intellectual opponents.

It is, however, unnecessarily difficult to carry out the necessary extraction. The Executive Summary is not that at all, but a party political pamphlet. There is no index. The book is both insular and partisan. Every idea is presented as novel and utterly different from the government's. Examples from other countries are brought in for debating purposes. But there is little recognition that the problems it describes affect most western countries, irrespective of the party in power.

To take one example, the British government is castigated for the low proportion of the population at work; but no mention is made of the fact that the proportion is lower still in most other European countries, whose degree of labour market regulation the commission so much envies. Above all, there is no costed programme or even a list of costed options of the kind that is standard, for instance, in the work of the Institute for Fiscal Studies.

This is a great wasted opportunity. For the potential value of a group like the Borrie commission is that it can put forward proposals which do not commit its political sponsors. Tackling the poverty and unemployment traps is an expensive operation, if benefits are not to be cut or more harshly administered. But there are more and less cost-effective ways of doing so. It would be better to give some honest estimates than an open-ended list of proposals and possibilities, with the half-hearted hint that they might be paid for by economic growth – as Ronald Reagan's tax cuts were supposed to have been. Hardly a model to appeal to a modernised Labour party.

I suspect that the first few chapters will be passed over as "guff" by numbers merchants of all persuasions. But bad guff gives political economy a bad name. We are given these alternative prescriptions: (a) an "Investors' Britain", (b) a "Deregulators' Britain" and (c) a "Levellers' Britain". As if these titles were not contentious enough, the first is identified with a "fair and prosperous Britain", the second with a "harsher Britain" and the third with a "kindly, poorer Britain". Why did not the philosopher member, Professor Bernard Williams, apply the standard critique of "Persuasive Definitions" to this section?

The labels, however, will not be persuasive to those with enough economic logic to know that investment is itself a cost, not a benefit, best seen as by-product of entrepreneurial search for new products, processes and customers. There is a highly misleading chart supposedly linking the growth of output per worker to the share of net investment in GDP. We are not told of the period over which the relationship is supposed to apply. The only source we are given is the *New York Review of Books*, without even an author. The chart fails to include the former communist countries which had the highest investment ratios of all and – as we now know – the worst economic performance.

It was inevitable that the commission would support minimum wage legislation in view of former Labour leader John Smith's dug-in attitude. But the commission's own figures show that it is an extremely ineffective way of dealing with poverty, which varies so much with family circumstances. Its main weapon is a number of studies purporting to show that minimum wages in some industries and countries do not destroy jobs, relying on the reader's ignorance of other studies showing the opposite.

There is much casuistry to avoid using words like selectivity and means testing

The market economist is meant to applaud the commission for proposing a minimum wage of £3.50 per hour rather than the higher sums demanded by union leaders, as if a perverse medicine can be defended by the moderation of the dose. Is the £3.50 minimum meant to apply to part-time or only full-time workers? If it applies to the latter, it will only increase the shift to part-time jobs. If it is to apply to any work done by anyone, then it means that a householder who cannot afford to pay that rate for a few hours' work by a jobbing carpenter will have to resort to do-it-herself – even though this makes both sides worse off and is in contravention of one human being's right to make a contract with another so long as there are no large adverse spillover effects.

The most radical single idea is the Pension Guarantee. This, thankfully, abandons the Labour commitment to wasteful across-the-board increases in state pensions. Instead there are to be more generous and more humane top-up arrangements than at present for pensioners with little or no other income. There is, of course, much casuistry to avoid using words like selectivity and means testing. Less happily, mandatory second pension schemes seem to be advocated – which is too near compulsory saving for a liberal.

Many detailed but important low cost improvements are put forward which might make Family Credit more effective in topping up the incomes of families with low earnings from employment. Another good idea, canvassed rather than firmly proposed, is that of merging Family Credit with Income Support for the unemployed. At least that is better than the Conservative Job Seeker's Allowance, which puts an iron curtain between the two.

The Borrie commission is also more favourable than the government to low cost proposals to allow the unemployed some modest earnings from casual work without losing benefit. Furthermore, there are reforms in Housing Benefit, which could make it less of a work disincentive than it now is when combined with Family Credit. All through one would like tabulated statements about losers as well as gainers.

One can also applaud the suggested phasing out the Married Couple's Allowance. This was originally meant to happen when individual taxation was introduced, but one rather important married couple vetoed the idea. The allowance is now being partially phased out by Kenneth Clarke. But unlike the chancellor, I would also support the channelling of the savings from ending it into children's benefits. Children are more at risk from poverty than childless couples or older single people; and they did not ask to be born.

That does not mean sharing the Borrie enthusiasm for channelling everything saved into across-the-board increases in Child Benefit – still less into nursery education which looks like vying with industrial training as the fad of the hour. I would prefer some of it to be channelled into income-related benefits. Most of all, I was pleased to see the incorporation, if only as a suggestion, of Hermione Parker's idea of a modest Participation Income for all, which would be conditional not on seeking paid employment but on any kind of service for other people.

Those of us who believe in individualism with a human face (which means something less grudging and punitive than the government's ideas) should not hesitate to raid Borrie for ideas and dialectical support. But on no account should we allow it monopoly of insight, compassion, imagination or any other aspect of the "vision thing".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Personal pensions: predictions, incentives – and now a compensation loop?

From Mr R S Parkin.

Sir, I imagine that few tears are being shed for the life insurance industry as it contemplates the compensation bill for the personal pensions scandal ("The high cost of bad advice", October 26).

However, there is an unfortunate tendency in the media to talk about the "pensions" industry when reporting the issue. This risks further damaging the already somewhat tarnished image of occupational pension schemes in a way which would be completely unfair.

It is very easy in these situations to be wise after the event. However, in this case – and it makes the scandal much worse – the pensions industry predicted that this would happen. During 1986 and 1987 pension scheme trustees, employers and advisers fought a campaign to warn government of the consequences of unleashing a commission-hungry salesforce on vulnerable people faced with complex financial choices. Self-regulation never stood a chance, but government, fired with ideology about personal choice and encouraged from the sidelines by a life insurance industry smacking its lips, dismissed this campaign as paternalistic vested interest.

The rest, as they say, is history. While it must now be the responsibility of the life insurance industry to foot the bill, it is to be hoped that occupational pension schemes will co-operate fully in the process of repairing the damage by re-admitting those who have lost out. And may the UK working population then recognise who its friends really are.

R S Parkin,
White Holm,
Pebble Hill Road,
Betchworth, Surrey RH3 7BP

From Ms Kim North and Ms Jo Smith.

Sir, Lex writes that "the scale of the UK's personal pensions scandal continues to shock" ("Pensions", October 26). The FT is being too modest; you blew the whistle on personal pensions more than four years ago.

Our files show that on January 6 1990, you published the view that Norman Fowler, the minister responsible for the new personal pensions, "has put the pension clock back half a century". The article correctly states that people buying personal pensions "have no idea what benefits their contributions will eventually buy" – and was appropriately headed "Paying dearly for Norman's knighthood".

Kim North,
Jo Smith,
The Pretty Technical Partnership,
54 Artillery Lane,
London E2 7LS

From Mr Digby Jacks.

Sir, your article, "The high cost of bad advice", is apposite. I wonder when the real perpetrator of the current imbroglio facing the life sector will be in the dock?

It was the government in its headlong rush to privatise everything, including occupational pensions schemes, that created the personal pensions regime – which, in turn, led to the mis-selling. This was fuelled by the National Insurance rebate. Quite a scam really! Yet some insurers still give money to the Conservative party.

Digby Jacks,
regional officer, MSF Union,
50 Southwark Street,
London SE1 1UN

From Mr A E N Buckley.

Sir, In the current debate on the sale of personal pensions to members of occupational pension schemes, two important facts seem to be overlooked.

First, at the time of the introduction of personal pensions, the government offered apparently significant incentives in the form of rebate of contributions to the state earnings-related scheme (SERPS), to encourage people to make their own personal pension provision. It was this rebate, as I recall, which was a major feature in the selling propositions of personal pensions advisers.

Second, the "better value" offered by many occupational schemes rests largely or solely on the fact that today the majority of companies which run their own such schemes still offer significantly higher remuneration (in the form of employer pension contributions) to employees prepared to join the company scheme than to those who prefer to make their own arrangements.

This anachronism can surely not be justified on any objective or rational grounds.

A E N Buckley,
principal consultant,
PA Consulting Group,
6 Highfield Road,
Edgbaston,
Birmingham B15 3DJ

From Mr Toby Micklethwait.

Sir, Insurance companies now face a compensation bill of up to £2bn for wrong pension advice. Where are they going to get the money from? Surely they are going to clip all policies to pay the cost. They will doubtless find a justification in the fine print.

If so, then anyone who invested via an insurance company suffered a risk of having their investment clipped to pay compensation. Were they warned of this risk? If not, they are entitled to compensation. We may be entering a compensation loop.

Toby Micklethwait,
Hamilton House,
Lyne, Surrey KT16 0AN

Super unleaded ban no solution

From Mr Adam Seymour.

Sir, The Commons transport committee's proposal that super unleaded should be banned ("MPs row with oil industry on unleaded petrol safety", October 26) must be considered with the lessons of the past in mind. If the leaded versus unleaded gasoline debate has taught us anything, it is that banning is no solution. Without clear guidelines as to what lead should be replaced with, industry naturally opted for the most cost-effective means: namely the replacement of lead in petrol with aromatics (of which benzene is one).

With what high-quality additives could the oil industry replace aromatics if government decided as a result of this proposal that their use should be restricted? In the short run aromatics could be replaced by alcohols or ethers, imported Methyl-Tertiary-Butyl-Ether (MTBE) being the least-cost option. However, studies into the effects of adding MTBE have shown that the benefits of reduced benzene emissions may be counterbalanced by increased emissions of other toxic substances, namely formaldehyde and acetaldehyde.

In the long run, the government could introduce incentives for investment in different oil-processing technologies that do not produce aromatics. An alternative for refiners is to increase the level of olefins, another type of hydrocarbon used to boost gasoline quality. Again, research has shown that there is a trade-off in this approach between reduced benzene and increased emissions with ozone-forming potential. Further, little is known as to the toxicity of olefin-related emissions.

The proposed banning of super unleaded is not a solution to the problem of benzene and aromatics. It raises the highly emotive issue of benzene without indicating any direction for the future.

Adam Seymour,
research fellow, Oxford Institute for Energy Studies,
57 Woodstock Road,
Oxford OX2 6FA

Own answer

From Mr O J W Rudwick.

Sir, The answers to the questions posed by Mr Jonathan Ruffer in the first paragraph of his article (Personal View, October 25) are surely given in the last. International bond markets which were drunk on excess liquidity in 1992-93 have now awoken to the cold dawn of rising interest rates, and set yields at level which discount likely future inflation rates. Only a dwindling bank of ageing teenage scribblers believes that current low levels of inflation can safely be extrapolated into the indefinite future.

O J W Rudwick,
The Garrick Club,
Garrick Street,
London WC2

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday October 27 1994

Misreading the road map

A web of asphalt spreading over the green fields of England: that is one of the nightmare visions conjured up by yesterday's report on UK transport policy from the Royal Commission on Environmental Pollution. Its authors, 16 scientists and environmental experts, foresee a future where Britain builds miles of new roads, at ever-increasing cost, but fails entirely to relieve the traffic jams choking its cities and junctions.

Many share those fears. Environmentalists have warmly welcomed the commission's warnings and most of its 100 recommendations. But this congested report, two years in preparation, does little to clear the road ahead.

That is unfortunate because it is entirely right in starting from the principle that road users should pay the full environmental and health costs of the roads: pollution, accidents, noise and loss of amenities. It is indisputably right, too, in observing that it is hard to set such prices. Pollution and noise can be measured straightforwardly, but some health implications are unclear. Medical researchers suspect that exhaust fumes are an important factor behind the rising incidence of asthma, but have not yet proved the link.

But such difficulties should not deter calculations; they simply imply that the conclusions should be repeatedly reviewed. The commission provides a good example: it calls use of super unleaded petrol, portrayed for years as "green", into question for causing emission of high levels of benzene.

The figures assembled by the commission, if imperfect, are illuminating. It puts the environmental costs of road use by all vehicles at between £4.6bn and £12.9bn. Accidents add a further £5.4bn. After taking account of building costs, it estimates that revenue raised from road users ranges from 121 per cent of total costs to 81 per cent.

The estimates clearly portray heavy goods vehicles as the villains, covering only between half and two-thirds of their unit costs. The commission is right to conclude that measures should be taken to ensure they close that gap.

But it begins to veer off its route in addressing cars and light goods vehicles. The report suggests that these more than cover the total costs of their use of the roads. But it nonetheless wants taxes on these vehicles to be raised in order to protect the countryside – an environmental asset it considers priceless.

That step reveals the weakness of the report: an excess of morality over economics. The authors assert that it can be morally wrong to trade environmental assets against the benefits of mobility. They exhort people to walk more and get fitter per se, instead of driving.

The conclusion the report should have reached is that, provided road use is correctly priced, there is nothing intrinsically wrong with building more roads if needed. That is not to preclude more investment in public transport, one of the commission's main recommendations. In central London, for example, it is clearly wanted and needed. But throughout, the report portrays public transport as a better substitute for roads than it is capable of being, however well maintained.

The commission is right that government has done a poor job of assessing Britain's transport needs for the future. Its report does not, however, fill the gap.

Local sense

The Local Government Commission is to be congratulated for seeing sense at last and drawing back from a wholesale reconstruction of local authorities across England. Its recommendations for nine counties represent a broadly fair balance between the desire of a few towns and cities to break free of their county councils, and the antipathy of the electorate as a whole to further expensive musical chairs in local government.

The commission should apply the same principles as it makes final recommendations for the rest of England's counties in the next two months. The duty will then be on Mr John Gummer, environment secretary, to abandon hopes for introducing single-tier authorities where they are not strongly desired by the voters.

Mr Gummer's decision this week to reject proposals from the commission to abolish North Yorkshire and Somerset county councils is a clear sign that he has already done so. He could go one better and reject any further commission proposals to abolish counties outright. On the basis of the public consultation, it is hard to justify abolishing any counties beyond the two – Avon and Humberside, both spawned by the last reorganisation in 1974 – which he agreed to scrap yesterday.

Once the present review is completed, several lessons need to be learnt for the future. On the positive side, the effort made by the commission to gauge public opinion before publishing firm decisions was commendable, and appears to have been vital in avoiding a shambolic conclusion. The response to the postal referendums was for the most part derisory; but this itself reflected the absence of popular enthusiasm for reform. The wider use of local referendums is to be encouraged.

There is, however, a debit side. No review process was established before the government sought to impose single-tier authorities in Wales and Scotland. What do people think there? And in England, the review has done little to revitalise local democracy. With resentment about government-by-quango growing, the malaise in local government will have to be addressed by the new commission on standards in public life.

Citadel storm

The apparent storm in a teacup between the two main rightwing contestants for next year's French presidential election looks set to fracture a great deal of Gallic porcelain. For several months, antipathy has been growing between the two main figures in France's Gaullist RPR party, Prime Minister Edouard Balladur and Mr Jacques Chirac, the party leader and mayor of Paris. This week the squabbling has burst into the open following Mr Balladur's accusation that Mr Chirac has been using the Gaullist party as a "citadel" in which to take refuge from the world outside.

Although this almost certainly was not his intention, Mr Balladur has publicly put his finger on a central problem confronting today's inheritors of the mantle of President de Gaulle. Their inability to reconcile the doctrines laid down in his name with the requirements of France and Europe after the end of the cold war represents a crucial political handicap for the right. This failure encouraged disillusioned Gaullists to seek solace in fringe parties in the June elections for the European parliament.

France's left wing is in a still more sorry state than the RPR, but the conservative infighting can only benefit Mr Jacques Delors, the Socialist president of the European Commission. If, as expected, he runs for the presidency next year, Mr Delors would rely powerfully on his perceived attractiveness to middle-ground voters – an appeal that Mr Chirac, in particular, manifestly lacks.

The recent description of Mr Delors as "the candidate of German Christian Democracy" by his former Socialist defence minister, Mr Jean-Pierre Chevènement, was no doubt meant as a jibe, but it could have a prophetic ring. Chancellor Helmut Kohl owes his four successive election victories to his ability to maintain support across a broad swathe of conservative and centrist voters. No present-day French politician can match this appeal.

In one sense, the Balladur-Chirac duel reflects the inevitable frustration of like-minded politicians bidding for a prize they covet and suspect may be slipping away. But the squabble also reflects a wider failure of adaptation of the French political system. France badly needs an organised form of preselection of candidates for the presidential elections to avoid a damaging abundance of rivals from the same camp and give their policies clarity and coherence.

Another conservative hopeful, Mr Valéry Giscard d'Estaing, leader of the centre-right UDF grouping, has pointed out that the right has three times fielded rival candidates since 1958 and won. However, the proliferation of wounded pride and wounded egos on the right contributed to Mr François Mitterrand's success in the 1988 presidential election, and could conceivably presage another conservative defeat next year.

Mr Charles Pasqua, the RPR interior minister, has suggested US-style primary elections to select the right's preferred candidate well in advance of the presidential poll. The idea has been given only a lukewarm reception, yet the right needs to end quickly the rivalry in its own ranks. Mr Balladur and Mr Chirac would be wise to back Mr Pasqua's proposal.

Haunted by spectre of inflation

Despite the US Treasury's cheerfulness, financial markets fear further interest rate rises, says George Graham

Mr Lloyd Bentsen, US Treasury secretary, thinks it is the best of times to hold his job.

"I'd say that the economic numbers are the best I've seen in 30 years. You see low inflation, good sustained growth in the economy, and major creation of jobs," he said this week.

But the economic statistics that Mr Bentsen finds so encouraging have failed to bring political benefits to the Clinton administration in the battle over next month's mid-term elections.

They have also spread alarm on Wall Street that the US economy may still be growing faster than can be sustained without sparking inflation. Bond investors are now convinced that the Federal Reserve needs to raise short-term interest rates in a hurry to keep inflation from breaking out.

This week they pushed long-term interest rates above 8 per cent for the first time in two and a half years, and the dollar fell to its lowest level against the yen since the second world war. New statistics published a week ago suggested that the 1¾ percentage points by which the Fed has already raised interest rates over the last eight months has failed to take the steam out of even the most rate-sensitive sector, housing construction.

In July, when Mr Alan Greenspan, Fed chairman, delivered his half-yearly testimony on monetary policy to Congress, the accepted economic wisdom – broadly shared by the Fed, the administration and a consensus of private sector forecasters – was that the economy would have a "soft landing".

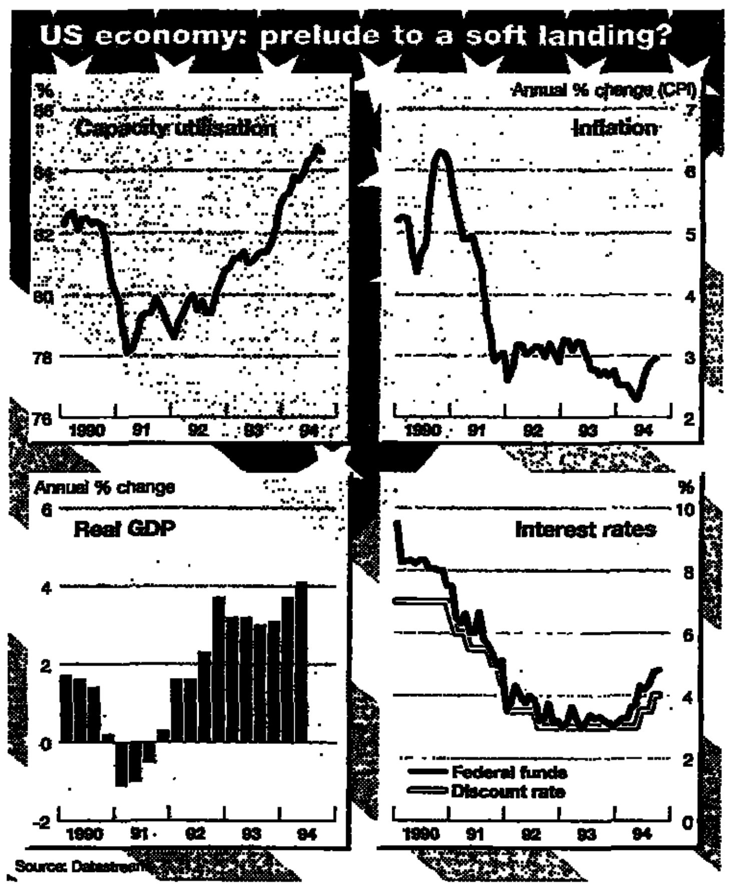
At that time, the economy had already begun to slow down from the unsustainably high 4.1 per cent annualised growth rate of the second quarter this year. Even without further tightening of monetary policy by the Fed, the economy was thought to be slowing into a "glide path" of steady growth – between 2¼ and 2¾ per cent a year – before inflationary pressures had been given a chance to build up.

The problem with the soft landing scenario is that policymakers have rarely been able to achieve it in the past. Even if economists think it is a plausible outcome, it is not one that investors are ready to bet on.

"The soft landing story has a better shot this time than at any time in the last 40 years, but it will take more than economic projections to convince the financial markets of the scenario in an investment sense," says Mr Allen Sinai, chief global economist with Lehman Brothers in New York.

Pessimists say the signals suggest the economy is running full steam ahead, close to or past the point at which pressure starts to build up on prices. September's housing starts, for example, were 4.4 per cent up on August.

More significant is last month's fall in the unemployment rate to 5.9 per cent. There are doubts about the reliability of the unemployment statistics, because the Department of Labor changed its method of calculation at the start of this year. Nevertheless, the unemployment level is now at or below the "natural rate" at which most members of the Federal Open Markets Committee, the Fed's policy-setting body, believe the real slack in the labour market has been absorbed. Labour shortages and pressure for higher wages have already shown up in a few sectors.



US industry, meanwhile, was operating in September at 84.6 per cent of its capacity, according to the Fed's calculations. That is a shade lower than in August, but still close to the peaks reached in early 1989, before recession set in. It is also above – perhaps by more than 2½ percentage points – the rate at which some economists argue production bottlenecks will start to push up manufacturers' prices.

GDP growth in the third quarter is due to be announced by the Commerce Department tomorrow. The market consensus forecast, according to MMS International, the financial information company, is for 2.8 per cent annualised growth, a considerable slowdown from the second quarter's 4.1 per cent pace. Estimates have been edging up steadily over the last two weeks, and the financial markets are already worried about the possibility that growth has once again started to accelerate in the fourth quarter.

"If the weak quarters are 3 per cent and the strong quarters are over 4 per cent, then the trend is up in the 3½ per cent range, which is above what the Fed would like to see," says Mr James O'Sullivan, an economist with bankers J.P. Morgan in New York.

Despite the evidence of overheating, all the government's price indices show inflation is still under control. Consumer prices rose by 0.2 per cent in September for a year-on-year inflation rate of 3.0 per cent, with core inflation (excluding volatile food and energy prices) also rising 0.2 per cent. At the wholesale level, too, core producer price inflation reached only 1.9 per cent year on year in September.

Employment cost statistics from the Labor Department show no sign of acceleration in wage inflation. Wages and salaries have risen by just 2.9 per cent over the past year, the department reported this week, and wage increases in important collective bargaining agreements signed in private industry during the past three months have averaged only 1.9 per cent a year.

But the financial markets tend to dismiss such inflation yardsticks as backward-looking measurements. They believe the Fed is "behind the curve" in its efforts to choke off inflation before it picks up, and will be compelled to raise interest rates by at least half a percentage point at the next meeting of the FOMC on November 15 – and probably by as much again before the end of the year.

Not all the members of the FOMC share this view. Mr Alan Blinder, the Fed's vice-chairman, argued this week that, although the economy was showing fewer signs of deceleration than he would have thought a few months ago, it had to be remembered that monetary policy works with time lags.

"I think it probably is a fair interpretation of recent movements in the bond market that there are a number of people that trade bonds for a living that are in the 'behind the curve' school ... I'm not convinced that they are right," Mr Blinder said.

But other members of the FOMC are more impatient. Mr Alfred Broaddus, president of the Richmond Federal Reserve Bank, had wanted the Fed to raise rates at its July meeting instead of delaying its most recent move until August. More recently, he has sternly warned that it is not good enough for the Fed to accept a 3 per cent inflation rate.

One reason why the Fed's five interest rate increases so far this year have failed to take the steam even out of sectors sensitive to interest rates, such as housing, is a steady loosening of bank credit. Banks have made credit easier to obtain and have narrowed their lending margins, taking some of the sting out of the Fed's actions.

This is a mirror image of the recession of 1991 and 1992, when a "credit crunch" caused by banks' tight lending policies reduced the impact of the Fed's efforts to stimulate the economy through lower interest rates. Then, the Fed was forced to cut further than it might otherwise have done.

This time, the Fed may have to raise rates further than it might otherwise have done to offset these easy credit conditions – leading Mr Greenspan and other FOMC members to issue a stream of warnings in recent weeks about looser loan standards.

"Now the chairman is worrying in public that banks are becoming overly lax in credit standards," comments Mr John Lipsky, chief economist at Salomon Brothers. "By analogy with his earlier action, it sounds as if he is setting the stage for more aggressive tightening."

For the Clinton administration, there is little room to quarrel with the Fed over another increase in interest rates. "We share the same objectives as the Fed of low inflation and long-term economic growth," said Mr Bentsen.

Administration economists are even more convinced than the Fed that inflation is well under control. They argue that heavy investment in business equipment this year will raise the economy's capacity next year and ease fears of bottlenecks.

But even congressional Democrats, who complained earlier in the year that the Fed was trying to kill off the recovery, say that, because of the evidence that the recovery remains strong, they are unlikely to object to a November increase.

No one in the administration, after all, wants to see the kind of rapid growth that would inevitably be followed by harsh Fed tightening and a recession, just in time for 1996's presidential election.

David Buchan argues that France regards virtually all tactics as fair in trade policy

War by other means

Halloween this year coincides with the ritual of the Night of the Long Knives when newly appointed European commissioners carve up the portfolios – and themselves.

Mr Jacques Santer, the new Commission president who will allocate the jobs this weekend, has recently had a timely reminder of why entrusting Europe's trade and industry policy to a French commissioner would be widely considered as daft as putting a Briton in charge of farm policy.

France has threatened to veto an international agreement to scrap shipbuilding subsidies painstakingly negotiated by the outgoing Commission with other industrial countries.

Mr Alain Lamassoure, France's European Union affairs minister, has promised French MPs that he is ready to invoke "vital national interests" to block the agreement. Yet the sector employs just 5,880 people out of a total workforce of nearly 20m.

French presidential politics are partly to blame. Mr Jacques Chirac, who is rivalling Prime Minister Edouard Balladur to be the main conservative candidate in next spring's presidential election, has for reasons best known to himself made support for French shipbuilding an obsessional part of his campaign for the Elysée. Mr Balladur believes he must match him in this obsession.

But in fighting to retain subsidies for shipbuilding, both men follow in a long tradition of state interventionism that goes back to the 17th century and Jean-Baptiste Colbert, Louis XIV's economic overlord.

Colbert subsidised many shipbuilding and shipowning companies, which all collapsed when his death brought the subsidies to an end. Some would argue this showed the pointlessness of creating such artificial companies in the first place. Others – including the present French government – seem to see the real error in putting a stop to subsidies.

Yet the *Colbertin* sense of being in a permanent economic struggle with other countries still pervades modern French thinking to a remarkable degree. The only difference is that France's chief economic enemies today are the US and Japan; in Jean-Baptiste's day, it was England and Holland.

Earlier this month, France's defence and economics ministries sponsored a teach-in on "economic war" in Paris. This showed that the French – in a way that is both admirable and irritating – refuse to sit on the laurels of their undoubted achievements in foreign trade, which include last year's FFr80bn (£10bn) trade surplus recorded in spite of a generally strong franc.

France believes that foreign competitors are waging total economic war against the country

France believes that foreign competitors are waging total economic war against the country, and therefore regards virtually all tactics as fair in parrying these attacks. General François Mermet, the retired head of France's DGSE intelligence service, which was once accused of spying on US industry, told the conference that France should have "no hang-ups" in mobilising all its resources in the battle for foreign contracts.

The French sense that world trade is somehow unfair is reinforced in an area dear to Colbert's heart – luxury goods. Mercantilists such as Colbert believed that a country should run a payments surplus to gain gold to pay mercenaries or bribe enemies in time of war. But Colbert added the refinement that the surplus should be in luxury goods which are, by definition, not essential to any war effort and might have the added benefit of rendering foreign consumers more effete.

Three centuries later, France has half the world market in luxury goods, according to the aptly named Colbert Committee which represents French fashion, perfume, wines and spirits companies.

Many of these products are easy to fake, leaving the country exposed to counterfeiting. And France has taken draconian measures this year against counterfeiters.

However, economic nationalism has become harder to justify with international co-operation in industries such as aerospace and defence. Their products commonly have components from several different European countries.

The view increasingly proclaimed in France, therefore, is that in aerospace and defence, all Europeans are on the same side. They face a common enemy in an American industry that is determined to offset the sharp contraction in its home defence market by killing off European competitors, with Washington using or abusing political influence in US client states where necessary.

Giving substance to this Euro-rhetoric, France opened last week's biennial navy equipment exhibition in Paris to other European defence companies under the name of "Euronaval".

It is perhaps a pity that Mr Santer does not have a defence dossier to distribute, because there the French are certainly thinking European.

OBSERVER

Been there, done that

■ Brazilians could be forgiven an uneasy twinge of *déjà vu*. While former president Fernando Collor lives as a recluse in the capital Brasilia following his 1992 resignation amid corruption charges, his younger brother is now following in his footsteps.

Pedro Collor, who failed to win election to the legislative assembly of the poor northern state of Alagoas in elections earlier this month, has been given the consolation prize of Secretary of Industry and Commerce in the state government. This is precisely the same job which gave Fernando Collor his start in politics in 1976.

There is little chance of the two brothers teaming up. It was Pedro who made the initial, ruinous allegations against his brother, apparently sparked by a family row; they have apparently not spoken for some time. Fernando, meanwhile, is still smarting from a court decision earlier this year to uphold an eight-year ban preventing him holding political office.

Sunny side up

■ Things are really starting to look up for Kelvin MacKenzie, the legendary former editor of The Sun. An admirer of Lady Thatcher and all that she stood for, MacKenzie's departure from News Corporation via the BSkyB satellite company left him without any big pay-offs or share options.

Fortunately, he has ended up at the Mirror Group which, despite its left-leaning stance, knows how to motivate its heavy hitters. Mackenzie has been showered with 155,038 share options at 129p which means that he is already sitting on a £24,000 paper profit.

Even so, how Kelvin must envy David Montgomery, his new boss and former chief sub on The Sun. Not only is Montgomery younger than MacKenzie, but his entry in *Who's Who* is more than five times as big and he has 10 times as many share options at less than half the price. Should have jumped ship earlier, Kelvin.

Boxing clever

■ First it's gnomes, now it's coffins. Naughty Poland – whose garden gnomes were recently forbidden entry to Germany – is now exporting too many coffins. Germany's coffin-makers are even less happy than normal.

The Germans complain that the quality of the Polish boxes is not up to German standards; they used the same complaint to stop an invasion of Polish gnomes.

The fact that Polish coffins may be cheaper has obviously impressed consumers – who spend DM12bn a year on the paraphernalia of death – but the coffin-makers, like countless other producers in Germany, seem not to have noticed.

'Even if you're cleared, you'll always be sleazy to me'

Non-accountable

■ The management jargon introduced by David O'Brien to the National & Provincial Building Society has unfortunately survived his abrupt departure as chief executive – but at least some of the staff have turned to plain speaking.

Writing to head office to report "opportunities to engage" – or new business contacts as other organisations might put it – the branches in east Kent are refreshing in their straight-forwardness. "Relationship built with HM prison; 30 accounts opened," they say. "It should have been 31 but inmate Tom was busy shoplifting in Brent Cross."

Tunnel vision

■ Cliff Walker, chief executive of BM Group, has seen the light at the end of tunnel. After a year of desperate measures to reduce the engineering company's £160m debt mountain, Walker has decided to make a clean break with the past by renaming his company Brunel Holdings. Apparently, the idea came to him when he was stuck in a railway tunnel near the company's West Country headquarters – built by none other than the legendary engineer Isambard Kingdom Brunel. Suppose anything's better than re-adopting the old Blackwood Hodge name?

Corporate largesse

■ What do elderly business tycoons talk about at lunch? According to Melvyn Marckus, City editor of The Times, Lonrho's Tiny Rowland and Harrods boss Mohamed Fayed were lunching together last week when the conversation turned to the subject of penis transplants.

According to a report in The Times, Fayed told Rowland that he had asked the Mayo clinic in the US whether he could have a "larger penis". Since Melvyn Marckus used to work for Rowland as City editor of the Observer (before Lonrho sold it to the Guardian), presumably he would not misquote his former boss.

Those who know Fayed well are not surprised by such a line of conversation. However, one wonders what members of the Royal family and other patrons of Harrods make of such talk? Poor old Gerald Ratner only had to admit that some of his jewellery was "crap" and his career was cut short.

Ritzy

■ Heartened by the prompt response to yesterday's query about when is a quango not a quango – a six-page briefing paper from the Cabinet Office had arrived before morning coffee – Observer is now seeking an official definition of sleaze.

According to Cassell's Concise English dictionary, it is anything which is squalid, distasteful, or disreputable. Since this could apply to the behaviour of most MPs, let alone members of the Tory government, Observer is looking for something more specific. What does the word stand for?

One reader has suggested that it is short for "stay literally everywhere at zero expense". The best contribution will win a bottle of malt and be passed on to the Cabinet Office. Who knows, it might even find its way into another briefing paper.

FINANCIAL TIMES
Thursday October 27 1994

Leakage may not be as large as early US estimates

Russian officials to lead Arctic oil spill clean-up

By Reuters in Moscow and Karen Fossli in Oslo

Russian officials flew to the northern region of Komi yesterday to head the operation to control an oil spill that environmentalists say could have a disastrous impact on the fragile Arctic environment.

Concern is growing that winter snow could soon prevent any clean-up of oil slicks blanketing vast areas of tundra. "If something has to be done, it has to be done right now," said Ms Valentina Semyashkina, head of a conservation group for the Pechora River. Oil has spilled into a tributary of the Pechora, Europe's richest salmon river, and may reach it.

She said oil leaking into the river, more than 1,000km north-east of Moscow, could pour into the Barents Sea. "This has happened before," she said. The latest spillage occurred on October 1 when heavy rains caused the collapse of a reservoir containing oil that had leaked from a pipeline near the town of Usinsk.

Meanwhile, doubts grew yesterday over US estimates that the spill could be one of the biggest ever. "There are all these fairy stories about a leak of 200,000 tonnes of oil – that is what oil workers there produce in one month. It is stupid," said Mr Nikolai Balin, head of the Komi state committee for environment. "The most plausible figure is 14,000 tonnes."

In Norway, which closely monitors Russian oil spills, officials said there were no plans to lend assistance to the area unless requested by Moscow.

"We do not at the moment see any acute threat to the Barents Sea," said Mr Per Antonsen, an adviser at the Norwegian environment ministry in charge of disaster co-operation with Russia. "We are alarmed by the spill, but we have to make our priorities. We have to remain calm and await further information."

Norwegian officials said yesterday they had received a report from Moscow estimating that between 14,000 tonnes and 60,000 tonnes of oil had leaked from a pipeline over an area of 68sq km. They believed that 14,000 tonnes was not enough to cover such a large area and that the oil spill was probably closer to 60,000 tonnes. One US estimate has the spill at 200,000 tonnes, but the Norwegians regard this figure as an exaggeration.

Moscow told Norway yesterday that about 140 people from the Komi civil defence had been working with buckets and vacuum pipes to contain the spill, but had to abandon clean-up work because of cold weather, ice and snow.

Britain urged to curb road transport

By Charles Batchelor, Transport Correspondent and David Lascelles, Resources Editor

An environmental commission sponsored by the British government has recommended a doubling of petrol prices in real terms, a halving of spending on main roads, and a big increase in subsidies to buses and trains.

The 300-page report of the Royal Commission on Environmental Pollution, published yesterday, says present transport policies threaten serious damage to the environment. Radical change is needed to preserve the quality of life for future generations, the commission says.

Sir John Houghton, commission chairman, said: "Ways must be found to make the longer-term development of transport environmentally sustainable."

The report is the most fundamental review of Britain's transport policy for more than a decade. It makes 110 recommendations, the main thrust being to load costs on to road transport and encourage a shift to public transport and "green" modes such as cycling and walking.

Many of the recommendations run counter to government policy. The government gave the report a guarded welcome.

Dr Brian Mawhinney, transport secretary, said: "I welcome this report as an important contribution to the broader debate which I want to encourage on how we are going to balance the economic benefits and personal freedom that roads can bring with the need for environmental protection."

Motorists' and road haulage organisations criticised the report, but it was welcomed by environmental groups.

As part of its strategy, the commission recommends the setting of "demanding but achievable" targets for improving air quality, reducing road deaths and noise and switching travel from roads.

They include a reduction in carbon dioxide emissions from cars and lorries to 80 per cent of 1990 levels in 2020 and a 40 per cent increase in the fuel efficiency of new cars by 2005.

It recommends a doubling of transport fuel prices by 2005, tighter EU emission limits for all new vehicles, heavy investment in making public transport more attractive, and an extra £2bn a year in fare subsidies.

High-octane unleaded petrol should be banned, the report said, echoing a report yesterday from a parliamentary committee.

Criticising yesterday's report, the Royal Automobile Club said it was "wide of the mark on targets and solutions" and "unrealistic about the scope and timetables for change."

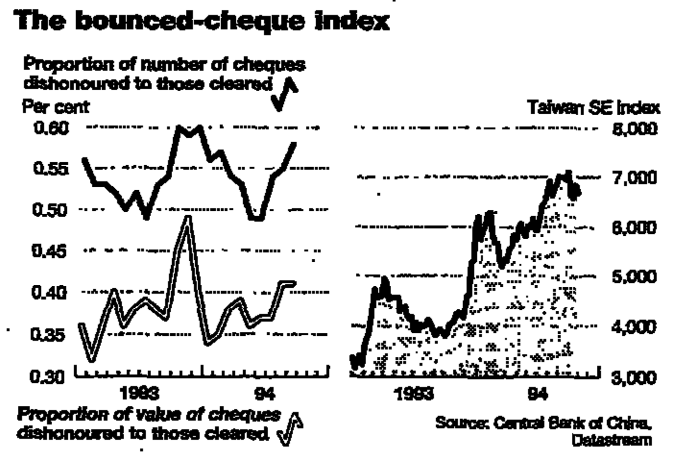
Environmental and pro-rail groups welcomed the findings.

Carmakers scorn efficiency target, Page 8
Editorial Comment, Page 15

Why bouncing cheques rock Taiwan's market confidence

By Laura Tyson in Taipei

The bounced-cheque index



Source: Central Bank of China, Datastream

In Taiwan, where reliable financial indicators are hard to come by, the bounced cheque ratio moves markets. For the island's underground financiers and above-ground brokers, yesterday's ratio announcement was bad news – a 10-month high at 0.58 per cent.

It was a report of a brokerage's bouncing cheque that prompted a 14.7 per cent fall in stock prices earlier this month. And for a Chinese society with traditional regard for financial tangibles, defaulting on a cheque carries a social penalty and, until a few years ago, was a criminal offence.

The ratio is compiled by the Central Bank of China, which measures the bouncing by number of cheques issued and the total amount dishonoured. By value, September's defaults reached 0.41 per cent of the total, the same as August, which was the highest since November 1993.

Credit against post-dated cheques is the most common form of short-term financing in Taiwan. The instrument is commonly used as collateral for loans from underground financiers – black market moneylenders – especially for share purchases – hence the correlation between stock market confidence and the rate of cheque defaults.

This month's share payment default scandal was started by a T$200m ($8m) bounced cheque from Hung Fu Securities, a local brokerage firm, presented to the Taiwan Stock Exchange. The episode set off a chain reaction among other brokerages, and the defaults over a couple of days were estimated at T$7.6bn.

A US banker explained that a company's bounce history is an important source of background information. Taiwan does not have an established credit information and rating system, and checking records for defaults is one of the few formal ways of assessing creditworthiness.

The ratio, the banker said, is akin to the bankruptcy rate in the US and an index of "prosperity" in a society that has hoarded foreign reserves of $90.99bn, as at the end of August.

In 1987, the law was changed to make bouncing a cheque merely a civil matter. But the power of the paper and the stigma remain.

Securum plans $2.8bn debt refinancing

Continued from Page 1

ish government. Under the international tranche, Chemical Bank and Enskilda Corporate will arrange a $1.4bn 5-year syndicated term loan

Enskilda Corporate and Nordbanken will also arrange a SKr10bn domestic financing programme over 10 years. This will be split between a SKr5bn subordinated term loan and a SKr5bn subordinated private placement.

Securum made a SKr6.3bn profit in the first six months, surpassing initial forecasts with low interest rates and astute deals.

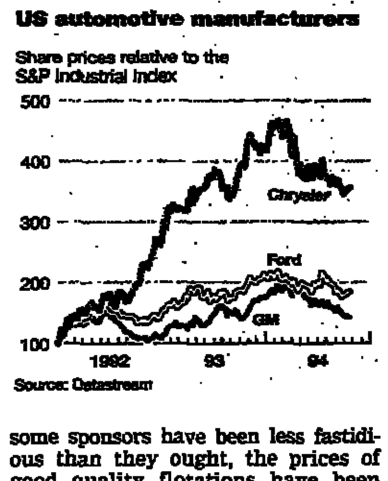
It has moved from being a finance company to an investment and real estate holding group after converting most of its sour loans into assets.

The refinancing is seen as a significant vote of confidence in its future. "Despite the state guarantees, we would not have been able to carry out a refinancing of this size without a sound balance sheet," said Mr Nyren.

THE LEX COLUMN

Ford's global drive

FT-SE Index: 2999.9 (-1.0)



Source: Datastream

Ford's better than expected third-quarter results indicate bright domestic and overseas prospects that could eventually allow the company to outpace General Motors and Chrysler. The group only slightly lags its Japanese rivals in productivity and has become the US's most cost-efficient indigenous vehicle maker. That its north American product mix remains weak explains why Ford's US net profits per unit, excluding financial earnings, were just $575 compared with Chrysler's $1,013. But the gap should close over the next 12 months as Ford launches a string of new, high-margin vehicles.

Ford may make progress at home, but its best prospects are overseas. The group should benefit from the upturn in Europe, where GM is struggling and Chrysler has minimal presence. Ford is also positioning itself early in the fast-growing Asian market, with its 24.5 per cent stake in Mazda and recently announced ventures in India and China. The company aims to speed up and cut the cost of new model development. If it can amortise this investment by marketing the vehicles across the globe, it could achieve large economies of scale similar to those achieved by Japanese manufacturers.

Implementation will not be easy. The required internal revolution is starting at a time of increasingly bitter competition at home and abroad, as rivals add capacity in many of their markets. The temptation will be to respond by radically customising models to meet regional tastes, as happened when Ford tried to make the Escort a global car in the 1980s. Ford must ensure such distractions do not deflect it from its current path.

New issues

The publicity surrounding recent flotation disasters has tended to leave the impression that investing in UK new issues has become a quick way to lose money. Yet analysis of all this year's flotations produces a rather different picture. On average, they have outperformed the market, albeit by a whisker. But while the proportion of duds may not be abnormal, the scale of the losses on the flops has undoubtedly done some damage.

By putting bad apples into the market, sponsors have soured the institutions which are now looking much more carefully at the new goods they offer. And it is not just those involved in the disasters that suffer. Because some sponsors have been less fastidious than they ought, the prices of good quality flotations have been forced down, raising the cost of capital across the market.

There seems to have been a specific problem with management buy-outs. This may reflect the fact that by the end of last year stock market valuations were so much higher than trade sale prices that venture capital backers floated businesses which were not cut out to be independent quoted companies.

In addition to the pressure on prices, the disasters have resulted in some marginal floats being pulled. The fact that new issues since May have comfortably outperformed the index may suggest that the market has already corrected itself. Sceptical institutions reply that problems take time to show through. But then they have every interest in talking prices down further.

UBS

The battle over Union Bank of Switzerland's special voting shares could be moving in the board's favour. Mr Martin Ebner, the Zurich financier, has accumulated a large position in the bank's registered shares – which have extra voting power – with the aim of forcing changes in UBS's strategy. The board has countered by pushing for the abolition of the registered shares' privileges and their conversion into bearer shares. Yesterday, following the publication of the board's latest missive on the subject, the premium enjoyed by the registered shares over bearer shares sank to 15 per cent. For most of the year, the premium has been over 25 per cent. UBS's desire for a single class of shares is all very well. But its method of achieving it flies in the face of natural justice. The change in share structure will be put to a combined vote by both bearer and registered investors. That means the registered shares could lose their privileges, even if most vote against the board's proposal at next month's shareholder meeting.

UBS argues that the new share structure would benefit the registered shareholders because it would stop Mr Ebner forcing a change in strategy that would damage the bank. That seems implausible, since the premium enjoyed by the registered shares would vanish completely if the board carried the day. The least UBS should do is allow registered shareholders a separate vote on the proposals. If the board is so confident in its case, it should have nothing to fear.

Lloyd's

Citibank still has some work to do on its scheme for allowing Lloyd's Names to convert to limited liability status. But it is the sort of arrangement that should appeal to many existing Names. Those hardened gamblers looking to get the most out of the market's recovery may want to retain their unlimited liability. This enables them to write business representing up to five times the funds lodged with Lloyd's. The Citibank scheme will offer gearing of only 2:1 though it may be possible to increase it to 3:1 through the use of a reinsurance contract. But such returns may well be attractive enough for existing Names who are no longer prepared to put their last collar stud at risk.

Similar schemes are less likely to appeal to potential new investors in the market even if Lloyd's reduced the limit on new limited liability members from the current £1.5m. Though the new breed of Lloyd's corporate vehicles have not proved particularly popular with private individuals, they should offer new investors similar potential returns as under the Citibank scheme. They also have the important advantage that investors can sell all or some of their interest at any time.

For Lloyd's itself, such schemes should slow the loss of capital put up by Names. But they will do nothing to curb the market's high costs. Administering the affairs of thousands of tiny companies will be just as expensive as dealing with a multitude of Names.

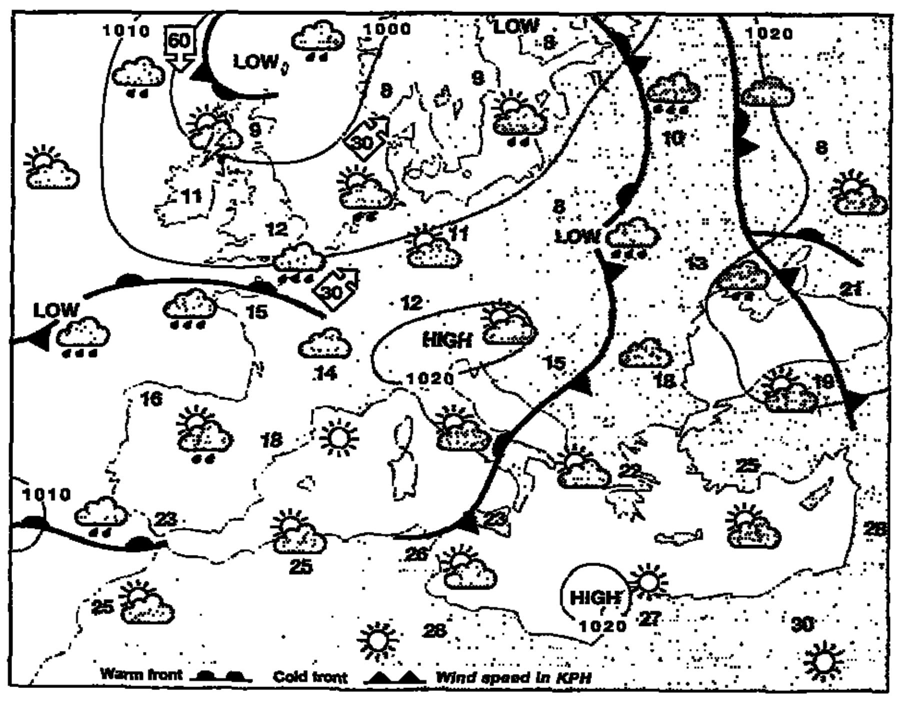
FT WEATHER GUIDE

Europe today

Low pressure just north of Scotland will feed cool and unstable air into north-west Europe. Showers will prevail in the UK and Ireland as well as along the Channel. Adjacent areas of France, Belgium and the Netherlands will have a lot of rain with temperatures staying around 10C-12C. A south-westerly flow will move mild air into Scandinavia, producing cloud over most of the Scandinavian countries. Showers will affect the southern Norwegian and Swedish coasts. The Mediterranean region will see a lot of sun but there will be odd showers in southern Portugal and south-west Spain. Showers are also expected in western Greece.

Five-day forecast

Europe will stay unsettled for the rest of the week. The low near Scotland will weaken gradually while moving north-east, leading to fair conditions in most of Europe during the weekend. However, a new low will approach from the Atlantic. On Sunday, the frontal system with this low will reach the UK causing cloud and some rain. Southern France, Spain and Italy will stay sunny and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	18	Caracas	shower	32	Faro	shower	23	Madrid	cloudy	17	Rangoon	fair	34
	Celsius		Belfast	shower	9	Cardiff	rain	11	Frankfurt	cloudy	11	Majorca	fair	21	Reykjavik	shower	2
Abu Dhabi	sun	33	Belgrade	drzzl	17	Casablanca	cloudy	23	Geneva	fair	12	Malta	fair	25	Rio	fair	26
Accra	cloudy	31	Berlin	cloudy	11	Chicago	fair	14	Gibraltar	shower	20	Manchester	shower	11	Rome	sun	21
Algiers	fair	25	Bermuda	shower	26	Cologne	cloudy	11	Glasgow	shower	10	Manila	cloudy	32	S. Frsco	fair	21
Amsterdam	shower	12	Bogota	shower	21	Dakar	cloudy	31	Hamburg	cloudy	10	Melbourne	shower	30	Seoul	sun	18
Athens	fair	23	Bombay	fair	35	Dallas	fair	23	Helsinki	rain	8	Mexico City	fair	21	Singapore	shower	32
Atlanta	fair	25	Brussels	shower	12	Delhi	sun	33	Hong Kong	fair	27	Miami	fair	27	Stockholm	fair	9
B. Aires	fair	18	Budapest	rain	12	Dubai	sun	32	Honolulu	fair	32	Milan	sun	16	Strasbourg	drzzl	13
B.ham	shower	11	C.hagen	shower	9	Dublin	cloudy	10	Istanbul	sun	20	Montreal	fair	12	Sydney	fair	26
Bangkok	shower	31	Cairo	sun	32	Dubrovnik	shower	20	Jakarta	fair	32	Moscow	cloudy	10	Tangier	shower	23
Barcelona	fair	18	Cape Town	fair	21	Edinburgh	shower	10	Jersey	rain	13	Munich	fair	11	Tel Aviv	sun	33
									Karachi	fair	34	Nairobi	shower	26	Tokyo	cloudy	19
									Kuwait	sun	34	Naples	sun	22	Toronto	shower	11
									L. Angeles	fair	23	Nassau	fair	29	Vancouver	shower	12
									Las Palmas	shower	25	New York	fair	14	Venice	fair	17
									Lima	cloudy	22	Nice	sun	17	Vienna	rain	12
									Lisbon	sun	19	Nicosia	fair	29	Warsaw	rain	7
									London	cloudy	13	Oslo	shower	6	Washington	fair	16
									Lux.bourg	cloudy	9	Paris	cloudy	14	Wellington	shower	12
									Lyon	fair	13	Perth	fair	22	Winnipeg	fair	12
									Madeira	shower	24	Prague	cloudy	11	Zurich	drzzl	11

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994
Thursday October 27 1994

IN BRIEF

FTC agrees to $4bn Eli Lilly deal

Eli Lilly, the US drugs company, has reached an outline agreement with the US's Federal Trade Commission which will allow it to go ahead with the planned $4bn acquisition of PCS, a pharmaceuticals distributor. Page 22

LCDs lift Sharp 55%
Sharp, the Japanese consumer electronics manufacturer, increased nonconsolidated recurring profits by 55 per cent thanks to buoyant demand for its liquid crystal display panels and other electronic devices. Page 23

Shareholders accept Packer's merger plan
Mr Kerry Packer's plan to merge his two publicly-quoted media companies into a A$2bn (US$1.47bn) combined group was accepted without questions by shareholders yesterday. Page 23

Lion Nathan expands into China
Lion Nathan, the biggest brewer in Australian and New Zealand, is planning up to three breweries in China as a way of diversifying from its mature home beer markets. Page 23

Arco takes stake in Chinese refinery
Atlantic Richfield (Arco), the US oil and natural gas group, has conditionally taken up 237.6m shares in Zhenhai Refining and Chemical Company, one of the biggest refineries in China. Page 23

Packaging and construction lifts Tenneco
Tenneco, the diversified US industrial group, had its best third quarter in 11 years as its packaging and construction and farm equipment divisions outperformed expectations. Page 22

US drugs groups post solid sales growth
Marion Merrell Dow and Rhône-Poulenc Rorer, the US pharmaceutical groups, both showed solid revenue gains in the third quarter, but only RPR, a subsidiary of France's Rhône-Poulenc, was able to boost its bottom line. Page 22

Anheuser lifts income to record
Anheuser-Busch cemented its position as the top brewer in the US during the third quarter, reporting record sales and profits. Page 20

Procter & Gamble 18% ahead
Accelerating volume growth produced a record quarter at Procter & Gamble, the US consumer products group, with net earnings up 18 per cent. Page 20

US BFI group warns Attwoods investors
Browning-Ferris Industries, the US waste group stalking Attwoods, yesterday sought to steal a march on the UK company by urging investors to be wary of promises made in fighting off the £364m *cash bid*. Page 25

Sock Shop puts best foot forward
Sock Shop, the 1980s UK retailing phenomenon which collapsed four years ago, could come back to the market. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			**PARIS (FFr)**		
Rises			**Rises**		
Allianz	2235	+ 87	Accor	645	+ 38
Bayer	341.8	+ 11.5	BIC	825	+ 11
Daimler Benz	746	+ 20.5	Club Med	427.5	+ 9.5
Preussag	442	+ 11	Euro RSCG	580	+ 10
Veba	514	+ 13	**Falls**		
Falls			Peugeot	758	- 10
DLW	308	- 9	Spie Batig	240	- 8.4
NEW YORK ($)			**TOKYO (Yen)**		
Rises			**Rises**		
[illegible]	13¼	+ ¾	[illegible]	795	+ 28
[illegible]	20¾	+ 1¼	[illegible]	575	+ 38
[illegible]	105¾	+ 6	Toyo T&R	300	+ 15
[illegible]	63¾	+ 1¾	**Falls**		
[illegible]	24	+ 1¾	[illegible]	587	- 18
Falls			[illegible]	885	- 60
Eli Lilly	58⅛	- 1	Tokyu Land	615	- 17

New York prices at 12.30pm.

LONDON (Pence)					
Rises			**Falls**		
APV	83½	+ 3	[illegible]	38	- 4
Abbey Panels	345	+ 37	[illegible]	19	- 2½
[illegible]	541	+ 7	[illegible]	262	- 8
[illegible]	82	+ 7	[illegible]	471	- 16
[illegible]	101	+ 6	[illegible]	104	- 8
[illegible]	105	+ 16	[illegible]	742½	- 12½
[illegible]	79	+ 4	[illegible]	385	- 15
[illegible]	336	+ 10	[illegible]	80	- 4
[illegible]	692	+ 8	[illegible]	483	- 15
[illegible]	308	+ 10			
[illegible]	17½	+ 2½			
[illegible]	738	+ 13			

DuPont chemical earnings up 97%

By Tony Jackson in New York

DuPont of the US, the world's largest chemical company, confirmed the strength of the cyclical upswing in its industry with a 97 per cent jump in third quarter net earnings from its chemical operations.

The upswing was partly offset by a 5 per cent drop in earnings from its Conoco oil subsidiary. Net earnings before extraordinary items were up 86 per cent at $680m.

The rise in chemical profits was driven by higher volumes and by reduced fixed costs, the company said, with the two factors contributing equally. However, selling prices remained flat despite sharp volume increases.

The rise in group earnings was helped by a sharp turnround in DuPont's diversified businesses division, where profits jumped from $6m to $135m. The company said this was due to the recovery in its coal mining business, hit by strikes last year, and better profits in agrochemicals and medical products.

In DuPont's own narrowly defined chemicals division, earnings were up 126 per cent at $104m. Volume was rose 9 per cent, with a 4 per cent rise in the US and a 27 per cent rise in the rest of the world. Prices were up 2 per cent.

In the polymers division, earnings were up 149 per cent at $177m. Volume was up 15 per cent, made up of 11 per cent in the US and 21 per cent elsewhere. Prices, however, were 1 per cent lower. Earnings in the fibres division were up 50 per cent at $164m. Volume was 6 per cent higher and prices were static.

Oil earnings were down 5 per cent overall at $172m, with a 23 per cent drop in upstream earnings and a 22 per cent rise in downstream earnings. Upstream operations were hit by lower gas volume, lower crude oil volume in the US and higher exploration costs. Downstream earnings were helped by bigger US margins in refined products and higher turnover at the group's refineries.

DuPont said that while chemicals prices were flat year-on-year, they were up modestly from their low point in the second quarter.

A number of price increases had been announced for the third and fourth quarters. The company said: "This is a period of some cost push, and growing demand". "My guess is that in a year's time you'll see prices up by a few percentage points at least."

In the third quarter of last year DuPont made charges of $1.3bn to cover job cuts and other restructuring costs.

In July, it said it was cutting 1,200 jobs at its European nylon operations. Yesterday, the company said the period of job losses appeared to be drawing to a close.

Ford soars to record $1.1bn in quarter

By Richard Waters in New York

Ford Motor, the US's second biggest carmaker, reported record after-tax profits for the third quarter. It was lifted by strong demand for new vehicles in North America and a continuing recovery in Europe.

Mr David McCammon, treasurer, said sales and profits were *likely to grow for some time to come*. "Unless interest rates go way up, this recovery will be sustained for three, four, five more years", he said.

There was no sign that the rise so far seen in US interest rates had stunted demand, he added. Ford's results echo record earnings reported by Chrysler two weeks ago, though General Motors, the US's biggest car and truck maker, saw its recovery falter during the three months to September 30.

Overall, Ford's after-tax profits jumped to $1.1bn, 2½ times their level of a year ago. The biggest factor behind the increase was a $245m improvement in profits from vehicle sales in North America, which reached $529m. A 17 per cent increase in vehicle sales and lower discounts offered to customers drove the improvement. *The* North American results also reflected lower purchasing costs and the fact that advertising spending rose less *rapidly than sales*.

Leaving aside losses at Jaguar, Ford earned $25m in Europe – the first time time it has not reported a third-quarter loss for five years. The summer period, with its model changeovers, is traditionally the weakest period of the year for carmakers.

"In Europe, sales are still 1.5m [vehicles] a year below what we consider to be normal – there's lots of improvement to come", Mr McCammon said. Jaguar, which launched a model during the period, lost $53m, compared with $43m (before a restructuring charge) the year before.

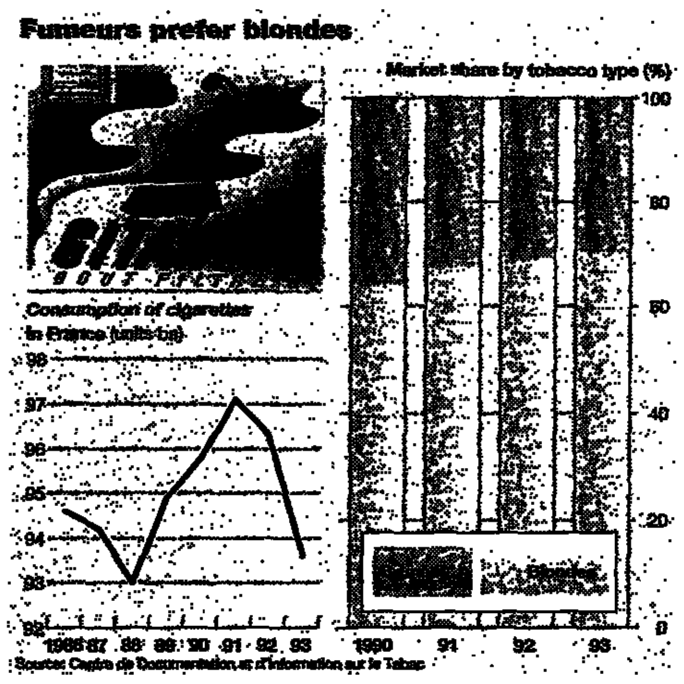
Results were lifted by record earnings in financial services, which climbed 34 per cent to $523m. This partly reflected higher leasing and other financing earnings linked to the sale of more vehicles.

The financing business added $290 of profit for each vehicle Ford sold in the US during the quarter, taking the total profit per vehicle to $865. Earnings of $1.04 a share, up from 40 cents a year ago, were recorded on sales of $30.6bn, up from $24.5bn.

Lex, Page 16;
Ford of Europe, Page 18

David Buchan sees Seita stub out foreign hopes

France lights up tobacco sell-off



The French government yesterday lit the match for an eventual sale of Seita, the French state tobacco company – but privatisation of the 183-year-old concern may, like one of its own Gauloise cigarettes, be a slow burn.

Mr Edmond Alphandéry, the economy minister, said yesterday he was opening the tendering for French and foreign banks to advise the government on the sale of Seita, which has already chosen Crédit Commercial de France and Société Générale to advise it.

Seita has thrown cold water on the enthusiasm of the world's *tobacco giants by saying it* wanted "no foreign tobacco maker" to take a stake.

It confirmed that it would like the state to keep nearly 10 per cent of its 100 per cent stake, leave about the same for its employees, and award 25-30 per cent to a core group of stable shareholders who might include foreign institutions.

Foreign tobacco groups would otherwise be keen to take a stake in a Seita, which distributes other companies' cigarettes and has the added cashflow bonus of being a collector of taxes. In particular, BAT Industries, the UK-based tobacco conglomerate, appeared to see its 1993 "financial" investment in the Banque Nationale de Paris privatisation as smoothing its path politically to an "industrial" investment in Seita.

The decision to keep foreign manufacturers out is not just because Seita considers itself, with its Gauloises, Gitanes, its *Alain Delon brand of cigarette* and its Johnny Hallyday lighter, as much part of the French heritage as camembert cheese.

With privatisation, Seita will lose its legal monopoly on tobacco manufacture in France, a right that has become meaningless with the free entry into France of cigarettes made in other European countries. But it intends to keep its de facto monopoly on distribution of cigarettes in France to the country's 36,500 *tabacs*, or tobacconists.

Allowing foreign cigarette makers into its capital would jeopardise the neutrality of its distribution system, says Seita, while *adding nothing in terms of external expansion*. Seita already has production and marketing agreements with BAT in Germany, with Reemstma of Germany in several markets in western Europe and now in eastern Europe, and with Japan Tobacco in Japan.

But Philip Morris, the US *tobacco giant*, recently threatened to break its distribution agreement with Seita if the latter took in another foreign tobacco company as a shareholder. Seita denies ceding under such pressure, but some industry analysts believe that Philip Morris, which has 29 per cent of the French market (behind Seita's 45 per cent), could have carried out its threat.

Distribution is certainly a money-spinner for Seita, whose profits rose from FFr447m in 1992 to FFr585m ($110m) last year on turnover that increased from FFr13.9bn to FFr14.1bn.

Seita also collects the 75 per cent rate of state tax levied on total tobacco sales – FFr63bn last year – passing it on to the state with a two to three-week delay.

The privilege of being able to play with the taxpayer's money for that period accounted for FFr200m of Seita's profit last year.

Banco Santander begins to reap Banesto benefits

By Tom Burns in Madrid

Banco Santander is heading for record profits this year after the Pta291bn ($2.2bn) acquisition last April of Banco Español de Crédito (Banesto), the troubled bank whose board was sacked by the Bank of Spain late last year.

Santander's profits for the first nine months of Pta107bn, after including Banesto, are the highest result ever posted by a Spanish banking group for this period. Without Banesto, Santander's pre-tax profits were Pta100.5bn, 5.9 per cent up on the same period last year.

The consolidation of Banesto, formerly the fourth biggest Spanish bank, raised Santander's average total assets from Pta9,270bn to Pta16,327bn, outstripping those of Banco Bilbao Vizcaya (BBV), the next biggest domestic banking group, by more than Pta4,000bn.

Banesto was consolidated in August, after the formal completion of the acquisition. Mr Emilio Botín, Santander's chairman, said the subsidiary bank's performance over the past two months had "confirmed the favourable forecasts of Banesto's future and vindicated a strategy designed to consolidate a wide and solid client base in the Spanish market".

Santander's figures indicated that it had so far been able to absorb Banesto without appreciably damaging its balance sheet.

Santander's return on equity stood at 19.58 per cent excluding Banesto and at 19.73 per cent including it.

The group's return on assets was 1.01 per cent without Banesto and dropped marginally to 0.98 per cent with Banesto.

Non-performing loans as a percentage of banking group's total amounted to 6.37 per cent against 3.19 per cent if Banesto is not included in the consolidated results.

Despite the higher figure resulting from Banesto's inclusion, coverage stood at 79.14 per cent and at 100.61 per cent if real guarantees are taken into account.

Santander posted a net interest margin of Pta220bn including Banesto. Without Banesto, it was Pta188bn, 6 per cent higher than last year's third quarter.

Without Banesto, Santander increased its operating profit by 10.8 per cent to Pta115bn. Banesto's addition to the consolidated account lifted the group's *operating profit to Pta126bn*.

The high totals posted by Santander came in spite of strong losses in treasury operations. Income from fixed income and currency dealings fell from Pta74bn in the first nine months of 1993 to Pta7.5bn, including provisions of Pta13.5bn.

Banesto was the object of a large rescue plan which included a Pta180bn capital injection, the purchase of Pta285bn worth of damaged assets by the Deposit Guarantee Fund, and a zero-interest loan of Pta315bn to offset current losses.

Yesterday's results indicated that Banesto was already earning money for Santander. It added just over Pta9bn to the Santander group's third-quarter net profits of Pta80bn although the overwhelming proportion of this contribution was provided by Banesto's 25 per cent stake in the profitable Portuguese bank Totta & Acores.

Saab on course for profit as sales of new model take off

By Christopher Brown-Humes in Stockholm

Saab Automobile, the Swedish carmaker, yesterday announced a SKr284m ($39.4m) pre-tax profit for the first nine months and said it was on course for its first full-year profit in six years.

The result was a SKr1.34bn improvement on 1993's figures and reflected cost-cutting, higher sales volumes and the weakness of the Swedish krona.

The third-quarter profit of SKr144m was the group's second *successive quarterly surplus*. Saab's losses had dated back to 1989, when General Motors of the US became a joint owner in the company, alongside Saab-Scania. *In the third quarter of 1993 the group made a SKr369m* loss.

Saab's turnround was reflected in higher sales for the nine months, which rose to SKr13.06bn from SKr11.47bn.

Retail sales jumped 24 per cent to 65,700 units from 52,600.

The success of the group's new 900 model, launched last year, was the most significant factor in the upturn. It accounted for 40,600 sales in the nine-month period, compared with 25,100 for *the older and bigger Saab 9000*.

The company expects to sell about 92,000 cars in 1994, comfortably surpassing last year's 73,600 and the break-even level of 83,000.

At one point the group hoped 1994 sales might climb as high as 95,000. A shortage of convertible and 3-door 900 models, particularly in the important US market, is the main reason it expects to fall short of this level.

US sales are expected to reach 23,000, compared with 18,000 last year. The group's other improving markets include Sweden – where nine-month sales rose to 12,300 from 7,000 – Taiwan, Australia and Italy.

The company said the weaker dollar would only have a limited impact on its 1994 figures, partly *because of hedging*.

Stanhope to show net assets

By Simon London in London

Stanhope, the property development company which is in last-ditch refinancing negotiations with its banks, is expected to return to positive net assets when it announces *full-year* results.

Such a result would strengthen the company's position as it searches for a partner willing to inject up to £100m ($163m) of equity on terms that will satisfy banks owed £140m.

A refinancing must be agreed if its syndicate of 16 lending banks, led by Barclays, are to extend credit lines beyond December 19.

Stanhope's main assets are held in its 50 per cent stake in Broadgate Properties, which owns much of the Broadgate and Ludgate office developments in the City of London.

Broadgate Properties' results, which are due to be published today, are expected to show a rise in net assets, including loans from shareholders, to more than £220m, from £148m last year.

Analysts estimated yesterday that this would be enough to lift Stanhope into a position of positive net assets, even though some *of its investments – notably its* joint venture with Trafalgar House in Chiswick, west London – may have fallen in value.

Last published figures showed that Stanhope had negative net assets of £15.7m at June 30 1993.

While a large rise in the value of Broadgate would be encouraging for Stanhope, Mr Stuart Lipton, chief executive, is still searching for an investor willing to make the necessary injection.

Earlier this month the company issued a statement which said that potential rescuers were unlikely to match the prevailing 29p share price. Yesterday the shares closed at 12p.

British Land, the investment company run by Mr John Ritblat which bought a 29.9 per cent stake in Stanhope in February, has made no secret of its willingness to step in.

But Mr Ritblat's main interest is acquiring Broadgate, which Stanhope is reluctant to sell *while the property market is moving in its favour*.

A forecast commissioned by Stanhope from Jones Lang Wootton, the surveyors, suggested that Broadgate Properties' assets could be worth anything up to £1.3bn in three years time, against an estimated £1bn today.

If the banks believe such figures they may agree that selling 50 per cent of Broadgate now would not be the best way of realising value from one of the City's best office developments.

Others understood to be interested in investing in Stanhope on the right terms include Morgan Stanley and Goldman Sachs, which both run substantial property funds.

Turnround aided by modest recovery in new car market

Ford Europe arm posts $25m profit

By John Griffiths in London

The continuing modest recovery in Europe's new car markets and further cost-cutting and restructuring helped Ford achieve a $25m net profit on its European automotive operations, excluding Jaguar, in the third quarter.

This represents a sharp turnround on its $217m loss in the same period of 1993 and continues a trend apparent since the beginning of this year.

It follows a $310m turnround in the second quarter, when a net profit of $244m was achieved compared with a net loss of $66m in the same period a year ago.

The result lifts profit for the first nine months to $378m compared with a $264m loss the previous year.

Until this year, Ford's European operations, excluding Jaguar, had suffered three consecutive years of losses totalling $1.5bn.

"Europe is in the early stages of economic recovery and we expect to see continued improvements in most [European] countries," Mr Alex Trotman, Ford chairman, said yesterday.

Ford expects Europe's total new car market to recover to 13.3m units this year, up from 12.5m in 1993.

Its own car sales in the region in the first nine months of this year reached 1,979,913, a 7.5 per cent rise on the year-ago level. Commercial vehicle sales were 3.5 per cent higher at 157,397.

Ford's share of Europe's car and commercial vehicles markets rose marginally in the third quarter, to 12.7 per cent from 12.5 per cent in the year-ago period.

Mr Trotman made clear that the financial recovery is expected to be maintained next year as the market recovery continues and further cost-cutting benefits accrue.

Capacity utilisation is expected to increase within the next three years through the launch of a car smaller than the Fiesta, although so far no decision had yet been made on a production location. It may receive a further lift if the go-ahead is given for production of small cars to be sold under the badge of Mazda, in which Ford has a 24.5 per cent stake.

A decision is expected before the end of November.

Premium on UBS shares slides ahead of EGM

By Ian Rodger in Zurich

The premium of the registered shares of Union Bank of Switzerland on its bearer shares tumbled yesterday to 14.6 per cent from 19.4 per cent.

This is its lowest level since September 29, when the bank announced its proposal to convert the registered shares into bearer shares, thereby reducing their voting power.

UBS is fighting an attempt by Mr Martin Ebner, a maverick Zurich broker-dealer, to swing a majority of votes at the annual general meeting next April in favour of strategic changes at the bank.

An extraordinary general meeting will be held on November 22 to vote on the share conversion proposal. If accepted, it would slash the voting power of Mr Ebner's BK Vision, a fund with 18 per cent of the registered shares.

Yesterday, the bearer shares lost SFr5 to SFr1,230, but the registered shares, which have one-fifth of the bearers' par value, tumbled SFr13 to SFr282.

Some Swiss analysts said the premium slide indicated that investor sentiment was moving towards UBS in the tense battle for proxies for the EGM.

"I have spoken to a number of large institutions, and it looks as if people are convinced that Mr Ebner has no strategy, so it is better to take the 15 per cent premium than get nothing," said Mr Hans Kaufmann, head of Swiss equity research at Bank Julius Baer in Zurich.

Analysts said UBS had been lobbying investors, and there was a suspicion that it has been supporting the premium to give registered shareholders an opportunity to limit losses.

Other analysts said the premium was hurt yesterday by the publication by UBS of the rules for registering shares before the EGM. New applications may be accepted until November 17, but the bank reserves the right to reject applications after October 25. This increased the uncertainty over what could happen, an analyst said.

Lex, Page 16

Statoil rises sharply after unrealised currency gains

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, yesterday reported a sharp rise in nine-month pre-tax profit to NKr12.85bn ($2bn) from NKr10.42bn in the same period last year.

The rise followed unrealised currency gains as a result of the weak dollar and came in spite of lower crude oil prices.

While there are uncertainties over future currency and oil price developments, Statoil expects to achieve a substantial improvement in 1994 profits over 1993 when they hit NKr12bn before tax.

Group revenue rose NKr1.7bn to NKr61.42bn as operating profit increased NKr700m to NKr10.7bn. Net profits shot up NKr900m to NKr3.8bn.

Net financial revenue rose steeply to NKr2.1bn from NKr374m as operating costs increased NKr1.1bn to NKr45.7bn.

However, record crude oil production – 442,000 barrels a day versus 406,000 – failed to offset the effect of low prices and cut the exploration and production division's operating profit by NKr800m to NKr6.4bn.

Statoil said the E&P division was likely to trim NKr2.3bn from planned annual operational costs by the end of 1995.

In addition, the Mongstad refinery is well on the way to achieving planned efficiency improvements of NKr375m annually. But the refining and marketing division suffered weak margins with operating profit cut NKr52m to NKr288m.

Natural gas lifted operating profit NKr750m to NKr3.2bn, reflecting increased gas volumes and firmer prices. Oil trading and shipping lifted operating profit NKr121m to NKr553m, because of crude oil contracts secured during favourable times in a fluctuating market.

Porton International sold for £65m

By Tim Burt
in London

Porton International, one of the UK's first biotechnology companies, yesterday closed the chapter on a history dogged by failure to deliver promised profits and blockbuster products by agreeing to sell its business for £65.5m ($107.2m).

The private group, founded in 1983 by Mr Wensley Haydon-Baillie – a reclusive multi-millionaire – has recommended an offer by Beaufour Ipsen, a family-owned French pharmaceutical company.

As part of the deal, worth £13.40 a share in cash or loan notes, Mr Haydon-Baillie stands to receive more than £20m on his 33 per cent holding in the company.

Since he stepped down as chairman two years ago, the group has sold off non-core businesses and concentrated on manufacturing pharmaceutical products.

Saying that the company had turned over a new leaf, Mr Tony Gover, executive vice-chairman and a long-time associate of Mr Haydon-Baillie, said the past problems had been caused by "one or two products which did not come to fruition".

During the 1980s, institutions invested £76m in the group on expectations that its products would generate profits of £140.6m by 1990. In the event, its main anti-herpes medication proved ineffective and profits fell well short of targets.

At the same time, the company caused a stir by spending large sums on opulent Mayfair offices and executive salaries.

It also earned a reputation for excessive secrecy, with Mr Haydon-Baillie employing a former member of the crack Special Air Service as a personal security adviser.

Political concerns, meanwhile, were aroused when MPs demanded to know why the government signed a deal with Porton allowing it to develop commercial uses for ideas pioneered at the state-owned Centre for Applied Microbiology and Research (CAMR).

While not commenting on Porton's past problems, Lazard Brothers, Beaufour Ipsen's financial advisers, said: "This is a company on a significant recovery trend."

In the first half of this year, it reversed earlier losses with pre-exceptional profits of £1.85m on turnover of £25.6m.

The deal, financed with £58.3m of borrowings and £7.2m of shareholder equity, offers Beaufour Ipsen manufacturing and distribution facilities in Britain and the US.

Porton's existing senior management and staff will be continue run the business as part of Speywood Holdings, a new subsidiary set up by Beaufour Ipsen.

Elkem improves to NKr198m

By Karen Fossli

Elkem, the Norwegian light metals producer, reported a sharp rise in nine-month pre-tax profit to NKr198m from NKr64m, helped by increased demand for its main products.

However, the rebound in aluminium prices failed to benefit the group because it had secured fixed-price, long-term contracts and forward hedging agreements in 1993 under softer prices.

Primary aluminium prices shot up 40 per cent in 1994 and yesterday hit $1,800 a tonne on the London Metals Exchange, thanks in part to cuts in capacity by western producers which has contributed to lower stocks and firmer demand.

At the end of last year, when LME aluminium prices were $1,125 a tonne, Elkem signed contracts covering a large part of 1994 production, but based on 1993 prices. Elkem would not disclose contractual arrangements for 1994 sales.

The company plans to cut aluminium output by 10,000 tonnes from the fourth quarter and into 1995.

Elkem intends to seek board approval for a four-year NKr250m investment programme for its Lista aluminium plant in Norway, for which annual capacity will be upgraded by 10,000 tonnes and improvements to environmental standards made.

Nine-month group operating profit rose to NKr333m from NKr282m but the advance was stemmed by slightly weaker third-quarter operating profits compared with the previous two quarters. Elkem blamed this on a seasonal drop in sales during the summer and price reductions for ferrosilicon and manganese alloys.

Elkem said Norway's difficult energy market had contributed to unusually high prices for power supply during the summer and that it was disappointed by lower-than-expected progress in improving productivity and cost savings. Operating costs rose to NKr5.8bn from NKr5.2bn.

The company expects demand for main products to continue to develop favourably.

Prudential pension sales suffer in UK

By Alison Smith

UK sales of life and pensions policies by Prudential Corporation, the UK's largest life insurer, fell in the first nine months of this year, with a 30 per cent fall in sales of single premium individual pensions.

Figures for Prudential's new business published yesterday, showed generally subdued sales of regular and single premium products, but sales of the more flexible products introduced by Prudential in the summer were more encouraging.

This is the first time Prudential has released new business figures on a quarterly basis.

Individual pension sales were particularly depressed. This reflected public concern about the standards of selling in the personal pensions sector.

The concern was sparked by a report last year suggesting that nine out of 10 cases where an investor was transferring a lump sum from a pension scheme into a personal plan did not meet the regulators' standards.

Concern is likely to be intensified after a regulator's report earlier this week suggesting that hundreds of thousands of people may have been wrongly advised to take personal pensions and leave, or not to join, their employers' schemes.

Sales of annual premium individual pensions fell 6 per cent to £88m ($139m), while single premium pension sales fell 30 per cent to £211m, during the nine months.

The division of the insurance and savings elements of a conventional life insurance product – into Prudence Family Cover and the Prudence Savings Account – appeared to be paying off.

The savings account attracted about £13m of annual premiums and about £72m in single premiums.

Mr Mick Newmarch, chief executive, said UK sales were "holding up well in a problematic market".

He noted advances in Prudential's Pacific operations. New business in Hong Kong and Singapore rose with higher sales of regular and single premium products.

Background, Page 25

Woolwich lifts stake in life unit

By Alison Smith in London

Woolwich Building Society, the UK's third largest, has moved to take decisive control of its joint-venture life insurance subsidiary, of which Sun Alliance was the other shareholder.

At the first opportunity for review of the arrangements for the company, Woolwich has increased its stake to 90 per cent from 51 per cent. The current arrangements are also likely to be reviewed at some point.

The move is part of the unravelling of links between life companies and building societies, as the latter want to take fuller advantage of the powerful distribution opportunities in selling to their large numbers of customers and making use of their extensive branch networks.

Halifax Building Society, the UK's largest, and Nationwide Building Society, the second largest, have announced plans to set up their own wholly-owned life subsidiaries, ending the arrangements by which they sold policies only of Standard Life and Guardian Royal Exchange respectively.

Of the 10 largest societies, only Alliance & Leicester, the fourth largest, and Northern Rock, the tenth largest, are still in tied relationships with life companies without having announced plans to end them.

Mr Peter Robinson, Woolwich managing director, said the society felt the broadly equal shares in the subsidiary did not now properly reflect the importance of the distribution capability.

INTERNATIONAL COMPANIES AND FINANCE

Anheuser lifts income to record

By Patrick Harverson in New York

Anheuser-Busch cemented its position as the top brewer in the US during the third quarter, reporting record sales and profits as its Bud Light brand became the country's second most popular beer after Budweiser, the company's flagship brand.

With Bud Light's ascendance to the number two spot among all beers – it overtook Miller Brewing's Miller Lite brand in the process – Anheuser-Busch became the market leader in the regular, light and non-alcohol beer categories.

This performance helped push the company's share of the domestic beer market from 43.4 per cent to 44 per cent at the end of the quarter.

The St Louis-based brewer said beer sales to wholesalers and retailers rose 2.7 per cent during the quarter, boosted by the successful debut this year of two new brands in the Budweiser family - Ice Draft and Ice Draft Light.

The introduction of new, derivative labels like "ice" beer is part of an attempt by leading brewers to compensate for the recent decline in the market share of big-name brands.

Anheuser-Busch said overall sales climbed 3.9 per cent to $3.76bn, which helped lift net income to a record $329m, or $1.24 a share.

In the same quarter a year ago, the company recorded a net loss of $75m due to restructuring and tax-related charges.

Without the special items, third-quarter net income last year was $311m.

Wider than expected loss at Data General

By Louise Kehoe in San Francisco

Data General reported wider than expected losses for its fourth fiscal quarter, but revenues increased as the mini-computer manufacturer continued its difficult transition from proprietary computers to "open" systems based on industry standards.

Revenues for the quarter increased 5 per cent to $292.6m from $278.4m in the same period last year.

Net losses for the quarter were $6.2m, or 17 cents a share, compared with last year's fourth-quarter loss of $37.2m, or $1.06, when the company took a restructuring charge of $25m.

"The fact that our revenues are continuing to grow is encouraging," said Mr Ronald Skates, president and chief executive. Open systems products now represent almost 90 per cent of total product revenues, he said. The company has achieved improved operating results in each quarter this year, he noted.

The company said that it this week received a $53m payment from Northrop Grumman in settlement of a copyright infringement suit. The gain will be recorded in the current quarter.

"Looking forward, we are cautious for the short term. However, we believe that our ability to continue to grow revenues, combined with aggressive management of our cost structure, should result in achieving our goal of returning to profitability," said Mr Skates.

For the full year, Data General reported revenues of $1.12bn, compared with $1.08bn in fiscal 1993 – the first year-on-year revenue increase since 1991. Net loss for the year was $87.7m, or $2.45 a share, including a restructuring charge of $35m in the second quarter.

In fiscal 1993, the company reported a net loss of $60.5m, or $1.73 a share, which included a $25m restructuring charge. Data General shares fell 75 cents to $9¾ in mid-session.

UTC ahead 24% in third quarter

By Tony Jackson

United Technologies, the diversified US manufacturer, reported double-digit profit increases in four of its five divisions in the third quarter, but further profit falls in parts of its aerospace business.

Net earnings for the group were up 24 per cent at $194m, or $1.35 a share, and chief executive officer Mr George David said the company was still on track to increase annual earnings by more than 30 per cent, or by $1 a share.

The Pratt & Whitney aircraft engines division improved operating profits by 90 per cent to $110m, on a 4 per cent decline in sales.

The company said "the benefits derived from aggressive restructuring and cost reduction programmes, including lower research and development spending, continue to offset weakness in the aerospace industry".

However, profits from the flight systems division, which includes Hamilton Standard flight controls and Sikorsky helicopters, were 37 per cent lower at $57m, on sales down 14 per cent. The company said Hamilton reached break-even in the quarter and was expected to be in profit for the rest of the year.

Operating profit in the Otis lift business was up 11 per cent at a record $111m.

The Carrier air conditioning and heating division increased profits by 11 per cent, to a record $127m, underpinned by strong demand in the US and a recovery in Europe.

Profits in the automotive division were up 20 per cent at $31m.

Boeing has flat third quarter

By Patrick Harverson in New York

Boeing, the world's largest aircraft manufacturer, yesterday reported third-quarter earnings and sales virtually unchanged from a year ago.

The group blamed a fall in commercial aircraft deliveries, increased debt expense and lower corporate investment income, which offset the positive impact of a lower federal income tax rate.

Although Mr Frank Shrontz, chairman, forecast that commercial jet deliveries this year would be slightly higher than forecast, at 265, he said that year-end sales would still be about 15 per cent below 1993's total.

Mr Shrontz also warned that sales would remain at "relatively low levels" through next year, and until the global economic conditions and the financial health of the world's airlines improved.

On a more upbeat note, however, the Boeing chairman said there were already signs of an economic pick-up in Europe and Asia which, combined with the sustained recovery in the US, augured well for the group's future.

He also said there was evidence that the main travel markets of the world were also showing signs of recovery.

For the third quarter, Boeing's net income was $185m, or 54 cents a share, compared with $189m, or 56 cents, in the same period of 1993.

Sales during the three months totalled $5.1bn, against $5.2bn a year earlier.

Procter & Gamble 18% ahead

By Tony Jackson in New York

Accelerating volume growth produced a record quarter at Procter & Gamble, the US consumer products group, with net earnings up 18 per cent to $792m on sales up 8 per cent at $8.2bn. Earnings in the US were up 12 per cent, and outside the US by 23 per cent.

Procter said unit volume worldwide in its first quarter had risen by 10 per cent, or 7 per cent net of acquisitions. This compared with 5 per cent growth for the previous fiscal year as a whole. US sales and volume both rose 6 per cent.

Outside the US, volume rose 13 per cent but sales only 8 per cent.

Procter said the slower growth in international sales was partly due to price competition, and was not significantly affected by currency movements.

The company attributed its better US earnings to its laundry and cleaning, paper and food and drinks sectors. It said this was primarily due to volume growth and cost control.

Earnings per share rose 18 per cent to $1.12. The shares, which had risen strongly in the past two months, fell $⅞ to $62 in early trading.

Bethlehem Steel declines to $10.3m

By Richard Waters in New York

Bethlehem Steel, the US's second-biggest steelmaker, saw after-tax profits fall to $10.3m in the third quarter, from $30.7m the year before, as an overhaul of some of its production facilities added to costs.

The figures come in the face of a 17 per cent increase in quarterly sales, to $1.2bn, reflecting higher prices and demand for flat-rolled steel.

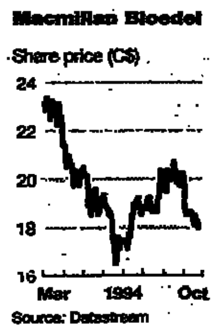
Bethlehem's results were held back by three projects, which added $60m to costs in the latest quarter: a rebuild of a coke oven, which is due to come back into operation in December, a reline of one of the plant's two blast furnaces and construction of a new coal-injection facility for one of the blast furnaces.

The company's structural products business, meanwhile, was hampered by higher costs and weak demand. The company plans to phase out the loss-making iron and steel-making operations in this part of its business by next year.

At the pre-tax level, Bethlehem's profits were $11.3m, up from $9.2m in the 1993 quarter, when it benefited from a tax credit. After the payment of dividends on preferred stock, the company reported a break-even position at the earnings per share level, compared with income of 22 cents a share a year ago.

NEWS DIGEST

MacMillan Bloedel held back by rising logging costs



MacMillan Bloedel, the western Canadian forest-products group, benefited from strengthening paper markets and favourable exchange rates in the third quarter, but profits were held back by rising logging costs, writes Bernard Simon in Toronto. Earnings recovered to C$58.1m (US$43.30) or 44 cents a share, from a C$20.7m loss, or 19 cents, a year earlier. The latest figure includes an after-tax gain of C$20.8m from the sale of the Harmac pulp division. Sales advanced to C$1.04bn from C$828m.

Mr Bob Findlay, chief executive, said higher stumpage fees, rising labour costs and the expense of implementing new, government-mandated environmental practices contributed to increased costs in the British Columbia logging operations. In addition, output at many sawmills was hit by summer holiday shutdowns and maintenance.

Mr Findlay predicted that earnings would climb slowly over the next year as newsprint and expected containerboard price increases are put in place.

But he said a reduction in annual tree-cutting quotas in British Columbia had pushed up prices of chipping and pulp logs bought from other producers, raising the cost of paper production.

Employee shareholders in Ina boardroom move

Employee-shareholders of Ina, the Italian insurer privatised in June, are trying to rally support for a list of directors, who would sit alongside the Italian treasury's nominees on the Ina board, if elected at next month's shareholder assembly, writes Andrew Hill in Milan.

Ina was the first state sell-off to involve guarantees of minority shareholder representation on the board – three directors out of a maximum of 13. But Mr Lorenzo Pallesi, the company's outgoing chairman, warned this week that such apparent shareholder democracy could prove to be a sham, because larger minority investors may simply outvote the small shareholders.

Imigest, an Italian fund manager, yesterday put forward its list of nominées, on behalf of a group of institutions. But Ina's employee shareholder association has not yet won the backing of the minimum 1 per cent of shares, which it needs if the list is to go forward for a vote at the Ina assembly on November 7. Nominations have to made by the weekend.

"I'm trying to underline the importance of this development, in the context of the Italian privatisation programme," said Mr Paul Dionne, a Milan-based investor relations and corporate governance specialist who is helping the association.

CSR to spend A$300m on timber operations

CSR, the Australian sugar and building products company, is to invest a further A$300m (US$221m) in its timber operations in New South Wales, writes Nikki Tait in Sydney.

It plans to build a fully-integrated timber processing operation in the Oberon region – doubling capacity at its medium density fibreboard factory and constructing a substantial sawmill. The project, costing more than A$200m, also involves development of an inland container port. A further A$100m will be spent at Bombala on an integrated timber processing operation there.

The investment follows CSR's successful tender for exclusive rights to negotiate contracts for radiata pine grown in the area by State Forests. CSR said it expected to have access to 380,000 tonnes a year of softwood logs around Oberon and 200,000 tonnes at Bombala.

Pre-tax reverse at Jyske Bank

Jyske Bank, Denmark's fourth-largest bank, suffered a fall in pre-tax earnings after nine months to DKr66m ($11.3m) from DKr495m last year, writes Hilary Barnes in Copenhagen.

The bank, the only Danish bank to publish quarterly results, said its core earnings, which include net interest income and other operating income less operating expenses, increased by 20 per cent to DKr855m.

Loss provisions were cut to DKr238m from DKr540m last year and non-performing loans have fallen by 40 per cent from last year to about DKr1bn – out of total lending of DKr28bn. But the pre-tax result was pulled down by unrealised losses on the bond and share portfolio of DKr467m, compared with a gain DKr513m last year.

The bank said that for the full year it expected to achieve its profit target of between DKr200m and DKr300m.

Elf Aquitaine sells Petrofina stake

Elf Aquitaine, the French oil group, yesterday confirmed that it had sold a 2 per cent stake in Petrofina, its Belgian counterpart, to Groupe Bruxelles Lambert, the financial group headed by Mr Albert Frère, writes John Ridding in Paris.

The French company said the deal, done in an off-market transaction, was part of its strategy of disposing of assets to reduce debts.

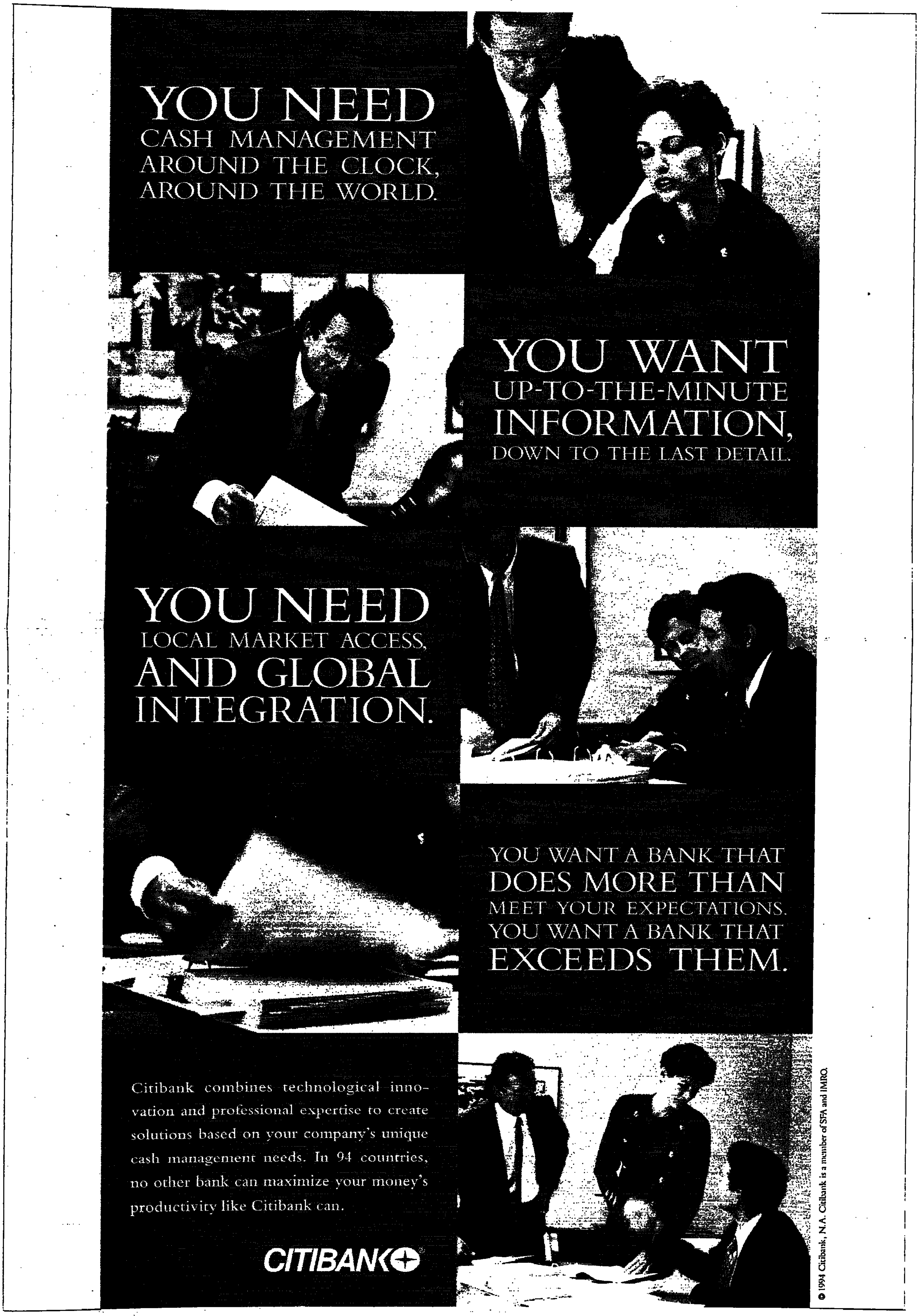
Mr Philippe Jaffré, Elf's chairman, has set a target of raising FFr5bn ($940m) in 1994 through disposals.

Elf declined to specify the revenues relating to the sale. It now holds 2.3 per cent of Petrofina's voting shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.10.94 Pool purchase price £/MWh	Firm Prices for Trading on 26.10.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.04	9.68	9.68
0100	23.25	9.68	9.68
0130	23.25	9.68	9.68
0200	23.25	11.24	12.33
0230	19.22	11.24	12.33
0300	19.22	11.24	12.33
0330	16.14	11.24	12.33
0400	16.14	11.24	12.33
0430	16.14	11.24	12.33
0500	16.14	9.68	9.68
0530	10.02	9.67	9.67
0600	10.02	9.67	9.67
0630	10.04	14.32	15.41
0700	26.26	18.87	19.97
0730	26.28	18.87	19.97
0800	26.28	18.91	20.02
0830	26.07	26.05	27.16
0900	30.10	26.07	27.19
0930	32.65	26.06	27.18
1000	32.75	26.06	27.18
1030	32.75	22.83	23.94
1100	32.74	22.82	23.93
1130	32.74	31.60	32.71
1200	32.76	35.00	36.12
1230	32.71	35.00	36.11
1300	32.66	34.98	36.09
1330	30.10	19.24	20.34
1400	29.71	16.38	17.48
1430	29.03	16.37	17.47
1500	33.00	16.37	17.47
1530	33.02	16.37	17.47
1600	35.20	16.38	17.48
1630	32.01	30.11	31.21
1700	70.44	30.12	31.23
1730	86.82	30.12	31.23
1800	91.82	30.10	31.21
1830	74.70	16.38	17.48
1900	68.82	32.45	33.57
1930	44.83	33.25	34.37
2000	38.12	33.25	34.36
2030	35.10	32.42	33.52
2100	32.22	16.37	17.46
2130	27.88	16.29	17.39
2200	28.05	16.35	17.45
2230	26.28	16.28	17.37
2300	26.25	16.07	17.16
2330	26.26	15.76	16.67
2400	10.04	14.32	15.41

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited


YOU NEED CASH MANAGEMENT AROUND THE CLOCK, AROUND THE WORLD.
YOU WANT UP-TO-THE-MINUTE INFORMATION, DOWN TO THE LAST DETAIL.
YOU NEED LOCAL MARKET ACCESS, AND GLOBAL INTEGRATION.
YOU WANT A BANK THAT DOES MORE THAN MEET YOUR EXPECTATIONS. YOU WANT A BANK THAT EXCEEDS THEM.
Citibank combines technological innovation and professional expertise to create solutions based on your company's unique cash management needs. In 94 countries, no other bank can maximize your money's productivity like Citibank can.
CITIBANK
© 1994 Citibank, N.A. Citibank is a member of SFA and IMRO.

Packaging, construction results boost Tenneco

By Laurie Morse in Chicago

Tenneco, the diversified US industrial group, had its best third quarter in 11 years as its packaging and construction and farm equipment divisions outperformed expectations.

Mr Dana Mead, Tenneco's chairman, said the strong quarter demonstrated the effectiveness of the company's restructuring.

Net income amounted to $151m, or 82 cents a share, compared with $111m, or 64 cents, for the same period last year. Sales rose to $3.3bn, from $3.1bn a year ago. Operating income rose to $363m, from $273m.

As expected, Tenneco yesterday also said it had agreed to purchase German automotive components maker Heinrich Gillet for $113m in a deal that will close by the year-end.

The company's Packaging Corporation of America, boosted by rising prices for its containerboard output, saw operating income jump 24 per cent, to $63m, from $51m last year. Sales improved to $562m, from $513m.

For the first nine months of the year, Tenneco had net income of $376m, or $2.04 a share, on sales of $10bn, compared with $256m, or $1.55, on sales of $9.8bn last year.

● Tenneco's J.I. Case farm and construction equipment subsidiary saw third-quarter operating income jump to $73m, from last year's $5m.

Tenneco sold 29 per cent of its stake in Case in a public offering in June.

Case, which reported earnings separately yesterday, said its third-quarter net income was $29m, or 39 cents a share, on sales of $1bn. Pro-forma comparative figures for the same 1993 quarter were $28m, or 38 cents, on sales of $841m.

For the first nine months of the year, Case had net income of $119m, or $1.23 a share, on sales of $3.2bn, up sharply from last year's $18m, or 19 cents, on sales of $2.9bn.

Tandem Computers recovery

By Louise Kehoe in San Francisco

Tandem Computers reported record fourth-quarter revenues and earnings, signalling a turnround after last year's restructuring.

Net income was $71m, or 62 cents a share, on revenues of $604.4m. This compares with net income of $3.2m, or 3 cents, on revenues of $553.9m in the same period last year.

The performance reflected a strong return to growth, said Mr James Treybig, president and chief executive. The company shipped a record number of computers during the year, he said, and orders grew by 20 per cent in the second half compared with the same period a year ago.

"These results validate our decisions last year to build and sell powerful computers at much lower prices with open software products," said Mr Treybig. Like many computer companies, Tandem is making a transition from proprietary technology to lower-priced "open systems" products.

Shipments of mid-range computers grew 66 per cent, while sales of high-end computers almost tripled over last year, and sales of Unix servers were up 42 per cent.

For the fiscal year, revenues were $2.1bn, up from $2.0bn. Net income was $170.2, or $1.50 a share, including a one-time gain of 20 cents a share from the sale of Applied Communications, a subsidiary. This compares with a loss of $517.7m, or $4.61, for fiscal 1993, which included a $451m restructuring charge.

Productivity improvements benefit CSX

By Patrick Harverson in New York

CSX reported its second consecutive quarter of record earnings, as the US transportation company continued to reap the benefits of productivity improvements, tight cost controls and a buoyant economic environment in its main domestic and foreign markets.

In its third quarter, CSX earned $177m, or $1.68 a share, on operating revenues of $2.47bn.

In the same period a year ago, the group earned $117m (excluding tax-related charges), or $1.13 a share, on revenues of $2.24bn.

Operating income at the company's railway unit CSX Transportation jumped 40 per cent to $224m in the quarter.

Chief executive quits at Continental Airlines

By Frank McGurty

Continental Airlines, the fifth largest US carrier, said that Mr Robert Ferguson had resigned as chief executive and vice-chairman.

The move comes as the airline is struggling to correct operational problems with its low-cost Continental Lite flights. The service, modelled on Southwest Airlines' successful route system, was launched last year by Mr Ferguson as part of a strategy to return Continental to profitability.

The airline said it was making progress on improving reliability, but admitted that the service was still not breaking even.

Mr Ferguson's departure was announced as Continental revealed a 9 per cent downturn in third-quarter operating income to $82.8m, from $91m in the 1993 quarter.

Revenues were down 6 per cent at $1.5bn. Fare-cutting during the quarter was reflected in a 2.6 per cent decline in the average yield per passenger mile.

However, net income more than doubled to $30.6m, or $1.03 a share, against $12.4m, or 53 cents a year earlier. But the improvement was mostly attributable to a $11.3m income tax provision taken in the 1993 period.

Mr Gordon Bethune, the company's president, will assume overall direction of both strategic and day-to-day operations. Mr Ferguson, 45, will stay on as a director and consultant on overall strategic planning.

US drugs groups post solid sales growth

By Frank McGurty in New York

Marion Merrell Dow and Rhone-Poulenc Rorer, the US pharmaceutical groups, both showed solid revenue gains in the third quarter, but only RPR, a subsidiary of France's Rhône-Poulenc, was able to boost its bottom line.

At MMD, a 10 per cent improvement in sales, to $783m, largely reflected two acquisitions completed over the past year. The company, controlled by Dow Chemical, bought the Rugby Group, a generic drug manufacturer, late last year and Kodama, a Japanese pharmaceuticals group, in early 1994.

Excluding their contributions, revenues would have showed a 6 per cent decline from $709m a year ago.

Sales of Cardizem, a cardiovascular medication, were down 1 per cent, although a strong performance by the lower-margin Cardizem CD, a once-a-day formulation of the product, helped to offset the loss. Sales of Seldane, an allergy remedy whose patent expired last April, were down 10 per cent.

RPR credited robust sales of its prescription products, especially in North America, for an 8 per cent rise in revenues to $1.04bn. Profits were up 45 per cent at $102.5m, or 76 cents a share, against $71m, or 51 cents, a year ago. The 1993 figure reflected a pre-tax charge of $27m, or 13 cents.

The results, which were slightly better than Wall Street had forecast, represent a turnround of sorts from the second quarter, when earnings had come in well under expectations. In early trading on Wall Street yesterday, RPR's share price added $½ to $36⅝.

Although MMD suffered a 12 per cent slide in profits to $126m, or 45 cents, the result exceeded analysts' forecasts of 36 cents. The stock made a little headway as a result, appreciating $⅝ to $25⅛ during the morning.

For the first nine months of 1994, MMD posted earnings of $330m, against $375m, excluding a $180m pre-tax charge. Revenues were up 9 per cent at $2.3bn.

At RPR, net income for the nine months was $168.8m, against $284.8m, on revenues of $2.88bn, virtually unchanged from a year ago.

FTC agrees to $4bn Eli Lilly deal

Eli Lilly, the US drugs company, has reached an outline agreement with the US's Federal Trade Commission which will allow it to go ahead with the planned $4bn acquisition of PCS, a pharmaceuticals distributor, writes Richard Waters in New York.

The deal, full details of which have yet to be finalised, is expected to act as a model for how two other drugs companies – Merck and SmithKline Beecham – operate similar drugs distributors that they have acquired in recent months.

Lilly, while refusing to confirm that it had reached a provisional deal with the anti-trust authorities, said it believed a final agreement would be completed by next Thursday. This would open the way for completion of the PCS acquisition before the end of the year.

The deal with the FTC is believed to require PCS to continue to offer drugs made by companies other than Lilly. It will also establish arrangements to prevent Lilly from gaining access to information about the prices at which other companies sell their drugs to PCS.

Yesterday, Lilly sought to play down the significance of both aspects of the agreement. However, concern that the deal would limit its ability to earn the sort of profits it had hoped for from the PCS acquisition wiped $1⅞ off the company's share price yesterday morning, to $58¾.

Merck said that it had also been asked for information during the FTC investigation into Lilly, though it refused to say whether the regulators were examining its dealings with Medco, its own distributor.

Learning lessons the difficult way

Richard Waters examines the issues raised by yesterday's ruling

US anti-trust authorities may have put a spanner in the works of one of the biggest reorganisations to hit the country's pharmaceuticals industry.

Fifteen months ago, Merck turned the industry on its head by buying Medco Containment Services, a big distribution company. The deal sparked a race among drugs manufacturers to secure their distribution lines.

The Federal Trade Commission (FTC) has now put a question mark over this vertical integration strategy. In particular, it raises doubts about the wisdom of the three companies, which between them will have paid $13bn to buy distributors, once Eli Lilly's $4bn purchase of PCS is completed (in the other deal, SmithKline Beecham paid $2.3bn for Diversified Pharmaceutical Services).

The commission has yet to outline publicly its concerns about the Lilly deal. Indeed, until it publishes the full details of the compromise it has reached with the company, it will not even confirm that it has held an investigation.

The outline of the deal, however, suggests that the FTC's concern is that control of distribution by a small number of manufacturers could limit the ability of other drugs makers to sell their products. The result, in the long run, could be less choice and higher prices for consumers.

Although the deal with the FTC applies only to Lilly, it is likely to have a bearing on how Merck and SmithKline operate. Both companies cleared a review by the agency when completing their own purchases, but the FTC says: "Theoretically, the commission can go back and re-examine things on which it has passed before."

Two issues lie at the heart of the Lilly investigation. The first is whether other drugs manufacturers will have fair access to PCS's distribution system once it is acquired; in general, the deal will require the company to offer all other manufacturers' products for sale alongside its own.

Pharmacy benefit managers such as PCS generally reduce costs for buyers of drugs by offering only a limited range of products, known as a formulary. The drugs included on this list are those on which the distributor can negotiate bigger discounts, or which are cheaper than rival products. The benefit managers encourage doctors to prescribe these formulary drugs through direct telephone contact.

However, PCS will have to offer the option of an "open" formulary – one which contains any drug the customer wants – which could reduce the competitive advantage to the company of controlling the distributor. Lilly, however, argues that this requirement makes no difference to the attraction of owning PCS, and that it was planning to offer the option of an open formulary anyway.

Randall Tobias, Eli Lilly chairman and chief executive

Both Merck and SmithKline say they already offer open formularies to their customers.

The second issue of concern to the FTC is the potential misuse of competitive pricing information. The regulators fear that Lilly could gain access to details of the prices at which other drugs companies are selling their products to PCS, and use this to undercut competitors. To prevent this, it has required Lilly to agree to a "firewall" to keep the information confidential. This, again, is an arrangement that all three companies say they can live with.

If the drugs companies are right in their claims that the Lilly consent decree will make no material difference to their businesses, why are the regulators showing such interest?

One possible answer is that the FTC is acting politically. With the new spirit of anti-trust zeal under the Clinton administration, it could not appear to be taking no action amid such a significant industrial restructuring.

Alternatively, the deal with Lilly may have more teeth than the manufacturers yet realise, or are prepared to admit. Either way, they still have a long way to go to prove to shareholders that buying distribution companies will support profits in the long term – and past experience is not encouraging.

The biggest previous attempt to pursue this strategy in the healthcare field – the $4bn acquisition of American Hospital Supply by Baxter International, a hospital supplies and healthcare company, in 1985 – proved a failure. Last year, half of Baxter's sales in the US came from hospital supplies, but only a quarter of profits. Nor has the deal lifted the company's market share. It is a lesson that the drugs companies could yet learn to their cost.

Sharp ahead 55% at six months

By Michiyo Nakamoto in Tokyo

Sharp, the Japanese consumer electronics manufacturer which is a dominant maker of liquid crystal displays, increased non-consolidated recurring profits – before extraordinary items and tax – by 55 per cent in the first six months to end-September, on the strength of buoyant demand for its LCD panels and other electronic devices.

The company said that in spite of persistent weakness in corporate capital investment, demand for its goods, combined with rationalisation measures, helped it to achieve a 7 per cent increase in sales to Y615.3bn ($6.35bn) compared with Y575.2bn a year ago.

Operating profits more than doubled to Y25.2bn from Y11.9bn, while recurring profits surged 55 per cent to Y31.1bn from Y20.2bn. Net profits rose 24 per cent to Y15.6bn from Y12.6bn.

Sharp, which has a leading position in the market for LCD panels, has benefited from strong demand, particularly from US personal computer in the US. LCD sales totalled Y113.2bn in the first half, compared with Y187.5bn for the whole of fiscal 1993.

As a result, its electronic components division saw sales rise 23 per cent to Y207.3bn from Y168.4bn.

In contrast, the television and video equipment division reported a 4 per cent decline in sales to Y122.9bn on continuing weak demand.

Mr Haruo Tsuji, president, said recently that he expected the company's LCD operations to continue providing growth for the company for some time.

Sharp is building the world's largest LCD factory in Japan, which is expected to begin operations next year and has expanded its existing facility.

Sharp expects LCD sales of Y245bn in the full year, against forecast overall industry sales of Y540bn.

Sharp is shifting the manufacture of some products overseas and procuring a greater volume of parts from abroad in order to combat the adverse effects of the high yen. As a result, it expects to increase sales by 6 per cent in the full year to Y1,240bn on the strength of continued demand for devices.

Sharp is looking for a 41 per cent rise in recurring profits to Y64bn in the year to March, and a 31 per cent increase in net profits to Y33.5bn.

Arco takes stake in Chinese refinery

By Louise Lucas in Hong Kong

Atlantic Richfield (Arco), the US oil and natural gas group, has conditionally taken up 237.6m shares in Zhenhai Refining and Chemical Company, one of the biggest refineries in China which will next month launch a public offering in Hong Kong.

The stake will give Arco some 9.9 per cent of the registered capital of Zhenhai. The stock has not yet been priced, but the company is understood to be aiming to sell its shares on a multiple between 10.2 and 12.5 with an issue price range between HK$2.05 and HK$2.50.

Arco's interest is a vote of confidence in a company which is perceived – in Hong Kong at least – to have problems. In May, Beijing reimposed controls on the pricing, import and distribution of crude oil and oil products and, in spite of attempts by Zhenhai's parent, Sinopec (China Petrochemical Corporation), to smooth the impact of this, the company is seen as being in effect unable to control the pricing of its products.

While analysts see the introduction of a foreign partner as a positive sign, many caution there is no direct corollary with this and expansion in overseas markets. In July 1993 Tsingtao Brewery, the first mainland company to list in Hong Kong, sold 5 per cent of its shares to Anheuser Busch, the US brewer, but appears to have had little help in building markets abroad.

Zhenhai is due to release its prospectus early next month, with the initial public offering pencilled in for November 15. It plans to issue 600m shares, or 25 per cent of the company, to raise HK$1.2bn (US$155m) to HK$1.5bn. It will become the 12th mainland company to have its primary listing in Hong Kong.

Packer finds his investors obliging

"Anyone know any good jokes?" quipped Mr Kerry Packer, the Australian businessman, as yesterday's unquestioning acceptance by shareholders of a plan to merge his two publicly-quoted media companies into a A$2bn (US$1.47bn) combined group necessitated a lull in formal proceedings.

The complex series of shareholder votes had been scheduled at appropriate intervals to allow for discussion. So obliging were the investors in Australian Consolidated Press, the Packer-controlled magazines business, and Nine Network Australia, which runs Australia's leading commercial TV network, that business from one meeting was completed early, and shareholders left to twiddle their thumbs before the next could start.

Under the circumstances, Mr Packer's cheeriness was scarcely surprising. By the end of the day, he had won approvals from ACP and Nine shareholders for the creation of a new three-pronged media group, and now requires only court sanction for the transaction to go ahead.

With the deal being effected by a share swap arrangement, Consolidated Press, the private Packer company, will emerge with a 45.7 per cent interest in the new group – to be known as Publishing and Broadcasting – in contrast to its 47.9 per cent stake in ACP and 44.5 per cent of NNA. Mr Packer will become chairman of the new entity, with Mr Brian Powers, managing director of Cons-Press, taking on the same role at P & B as well.

The new group will be made up of three divisions: television, magazines, investments (this will include Nine's interest in John Fairfax, the Australian newspaper publisher, and the potential stake in Optus, the telecommunications group). P & B is likely to have a market capitalisation above A$2bn, revenues of more than A$1bn, shareholder funds of A$1.7bn, and immediate borrowing facilities of A$1.3bn. All this, it is argued, will make acquisitions much easier.

The deal will also take some immediate pressure off the magazine interests, which have been battling against highly-competitive conditions.

The big question is what acquisitions the merged group will pursue. The prospectuses make clear that on the magazine front, the focus will be on Asia, where ACP has already picked up a stake in the Vietnam Investment Review, rather than the more mature Australasian markets.

Nine, meanwhile, has already been edging into the multimedia industry. Aside from the Optus connection, for example, it has joined forces with Village Roadshow, a cinemas group, to run "out-of-home" entertainment centres, including indoor theme parks in shopping centres across Australia. Nine was also one of the vehicles through which Mr Packer pursued his abortive bid to build Sydney's new casino.

The price, for ACP shareholders, will be some dilution of earnings per share, but Nine's stronger growth prospects mean that it is already more highly rated, and if the acquisition opportunities look good enough, the shares of the new company should trade on a higher multiple that those of ACP. Such thoughts, at least, seemed to be buying peace from shareholders yesterday.

Nikki Tait

Bugs Bunny set to lead invasion of Hong Kong

By Louise Lucas

Dickson Concepts, the Hong Kong based luxury wholesaler and retailer, is bringing Bugs Bunny and Batman to Hong Kong through a franchise arrangement with Warner Bros Consumer Products.

Dickson, which is putting more than HK$150m (US$19.4m) into the project, plans to open Hong Kong and Singapore flagship stores selling exclusive clothing, jewellery, accessories and memorabilia of Warner Bros' cartoons and superheroes around the middle of next year. Further outlets will follow.

This is the first time Warner Bros has taken a partner to open and operate stores. Outlets in Europe and the US – which will total 110 by the year-end – are company-owned, but it was felt local expertise would be important in developing the Asia market.

Dickson Concepts will pay a royalty fee to Warner Bros.

Mr Dickson Poon, chairman and controlling shareholder of the group, believes the project will become a significant contributor to company profits – although he said it was too early to say if Tweety Pie T-shirts and Daffy Duck mugs could be taken to China, where he has already taken Ralph Lauren clothing.

Dickson will be financing the deal from its cash resources. In spite of opening 50 stores throughout Asia in the past 12 months, the company – which also owns the Harvey Nichols store in London – is in a net cash position, and will remain so after the latest investment.

Mr Barry Gilbert, a senior vice-president with Warner Bros in California, said the consumer products arm wanted to expand worldwide as rapidly as possible.

He was unperturbed by the prospect of problems with counterfeiting in Asia, in spite of being temporarily based in Tsim Tsa Tsui, the heartland of copy watches and clothes depicting Walt Disney and Warner Bros characters with varying degrees of skill and accuracy.

Lion Nathan in move to expand into China

By Terry Hall in Wellington

Lion Nathan is planning up to three breweries in China as a way of diversifying from the mature Australian and New Zealand beer markets, Mr Douglas Myers, Lion chief executive, said yesterday.

The announcement came as Lion Nathan, the biggest brewer in both countries, reported a 45 per cent rise in profits to NZ$204m (US$124.9m) in the year to August 31. Its brands include Castlemaine XXXX, Tooheys, Swan and Steinlager.

Mr Myers said the first of its Chinese investments, a joint venture in Shanghai, was likely to be confirmed in December. He said that because of the risks involved, Lion Nathan wanted to be the leading partner. It was considering "green field" developments because of the vast overmanning in Chinese breweries which used 300 to 400 per cent more staff than was required.

He hinted that the initial investment would be around NZ$100m and would stem from the company's strong cash flows of NZ$230m.

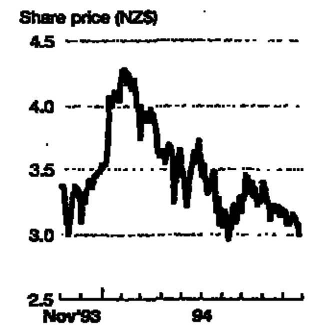
Mr Myers showed frustration at analysts' criticism that the company is burdened with "mature" products and intense competition in world markets: a view that has caused its share price to perform poorly.

He said that the company had done everything analysts had demanded, and yet its share price was lower than when it was deep in debt. Its balance sheet had been strengthened by asset sales and high cash flows which had reduced net debt by NZ$271m over the past year. The debt to equity ratio was 38.62 at August 31, compared with 47.53 the year before.

The dividend is being lifted to 15 cents a share from 13.5 cents last year.

Lion Nathan

Share price (NZ$)



Source: Datastream

Fanuc enjoys sharp rise following shake-up

By Emiko Terazono in Tokyo

Fanuc, a Japanese maker of machine-tool equipment, said profits for the first six months to September increased sharply due to cost-cutting measures and streamlining of operations.

Unconsolidated recurring profits – before extraordinary items and tax – for the first half rose 13.4 per cent to Y13.2bn ($136m) in spite of a 4 per cent fall in sales to Y54bn. Orders for the first six months rose 17.2 per cent to Y61.6bn, and after-tax profits rose 8.3 per cent to Y7bn.

Operating costs fell 9.6 per cent to Y43.6bn resulting in a rise in operating profits by 29.9 per cent to Y10.4bn.

Non-operating profits fell 26 per cent and non-operating costs fell by 53.9 per cent. Sales in Fanuc's factory automation division fell 4.1 per cent to Y33.6bn, and its robot division fell 11.3 per cent to Y15bn.

The company said it would raise dividends for the current business year to Y20 a share from Y18, due to the profit growth.

For the full year to March, the company expects a 6.8 per cent rise in sales to Y113.5bn and a 24 per cent rise in recurring profits to Y28.5bn.

Kramat tin in share swap with AOI

By Kieran Cooke in Kuala Lumpur

Kramat Tin Dredging, the listed subsidiary of Malaysia Mining Corporation (MMC), plans a share swap with Artika Optima Inti (AOI) of Indonesia in a deal estimated to be worth US$145m.

Kramat will gain a 32 per cent stake in AOI, while AOI will hold about 25 per cent of Kramat.

The Kramat/AOI deal is subject to approval by both the Kuala Lumpur and Jakarta stock exchange authorities.

MMC was once one of the world's biggest tin conglomerates but in recent years has diversified away from mining. AOI is part of the Djajanti Group, one of Indonesia's biggest timber companies.

Analysts say the deal allows Kramat to focus its attention on the potentially lucrative timber industry, while giving AOI the opportunity of a "back door" listing on the Kuala Lumpur exchange.

Earlier this year AOI was refused approval for a public offering on the Jakarta stock exchange after the Indonesian government said that the company had failed to abide by the terms of its forestry concessions.

AOI has announced plans to build a large cement plant in eastern Indonesia.

In June PT Barito Pacific, one of Indonesia's largest companies, entered into a complex shares and cash deal with Malaysia's Construction and Supplies company.

Analysts said that deal, still subject to approval from the Malaysian securities authorities, would allow Barito to raise funds on the highly liquid Kuala Lumpur market.

Seoul paper group buys bank stake

Hansol Paper, South Korea's biggest paper maker, said it would buy a 15 per cent stake in Donghae Merchant Banking for Won17.1bn ($21.4m) in an attempt to secure a controlling stake in the bank, Reuter reports from Seoul.

Seoul-based Hansol and a local businessman are currently the biggest shareholders in the Pusan-based bank, with each having a 10 per cent stake.

Matif ready to launch rapeseed futures

Today, just a few cleaners and electricians are quietly carrying out their tasks around a nondescript polygonal desk at the Bourse de Commerce building in Paris. From tomorrow, in their place will be traders and officials noisily getting to work on the first day of a new derivatives market.

The latest product from Matif, the French financial futures market, is rapeseed futures – only the second in the world after Winnipeg, Canada.

"After two years' hard work, we've done it!" says Mr Charles-Etienne de Cidrac, business development manager.

DERIVATIVES

Rapeseed production began in earnest in Europe in the 1970s, in response to agricultural policies designed to make the continent less reliant on US soyabean imports for vegetable oils and animal feeds. The crop's yellow flowers are now a familiar sight, with 1993-94 production in the EU running at 6.2m tonnes, or nearly a quarter of the world total. In France alone, last year's crop was 1.6m tonnes.

However, for many years the price of rapeseed was controlled through the EU's common agricultural policy and was only deregulated in reforms in July 1992.

French farming syndicates approached the Matif at the time to ask for a way of hedging against the volatility of the product.

Contracts on the new market will be available for between 4 and 19 months from tomorrow – the deliberately high maximum expiry date reflecting interest by the rapeseed industry in understanding long-term price trends.

Mr de Cidrac says a number of features distinguish the market from others operated by Matif. It will operate using traditional brokers who operate across the range of its products, but also with physical brokers trading only in rapeseed.

It will use the "open outcry" system, but also have "order book officials", or Matif staff, to buy and sell for others. It will be quoted in D-Marks, the strong currency in the continent from where most demand is expected. Foreign exchange forward contracts, to hedge into US dollars and French francs, will also be offered.

Mr Gérard Pfauwadel, president of Matif, says rapeseed represents one of the few new types of product into which his organisation can diversify. It already offers most of the financial products it believes are viable; commodities derivatives represent a remaining area of growth – and one he sees as attractive in France, given its strong agricultural roots.

Almost 1,000 people have attended Matif training sessions on the rapeseed market since the start of the year. When it opens tomorrow, there will be 15 traders at the 17 available spaces around the table.

"The question is whether the interest will turn into trading," says Mr de Cidrac.

"It's a new contract for a big number of participants. As long as it is traded we will continue, and do more marketing if necessary. We are obliged to operate the markets. For us it's a strategic move. We are looking to provide a service to customers rather than find a source of profit."

Mr Pfauwadel says: "Rapeseed is a new product and a test for others. It is clearly not a big contract. If we had more than 300 contracts a day I would be extremely happy. We are rich enough to support a low volume for a certain period – certainly the first full season and probably several years."

If things go well, Mr de Cidrac says there is the possibility – not yet under serious discussion – of options in rapeseed, and futures in related products such as sunflower oil. More generally, Matif is considering contracts in wheat and other commodities as their prices are liberalised.

On the other hand, there is no guarantee of success. Coffee futures were dropped in April this year through lack of interest. More poignant still, the very trading room in which rapeseed futures will be based has been empty for two years, since Matif abandoned its cocoa futures market.

Andrew Jack

INTERNATIONAL CAPITAL MARKETS

Gilts lurch lower after auction disappointment

By Conner Middelmann in London and Frank McGurty in New York

Most European bond markets drifted lower in a narrow range yesterday, remaining in the thrall of US Treasuries, where all eyes are on tomorrow's release of third-quarter GDP data.

New supply in the UK, German and US markets, amid continued investor abstinence, also damped market sentiment.

■ UK gilts weakened on the day, with the December long gilt futures contract on Liffe shedding $\frac{13}{32}$ point to $99\frac{5}{16}$.

Prices lurched lower after the Bank of England announced the results of the auction of £2.5bn 8 per cent gilts due 2000. The biggest disappointment was the fact that the auction was only 1.2 times covered – the lowest bid-to-cover ratio this year, and well below the 1.5 to 1.75 cover most market participants had forecast. The tail – the difference between the highest and the average accepted yield – was in line with forecasts at two basis points.

Dealers were also disappointed that 93 per cent of the bids were allocated at the lowest accepted price of 96.01, yielding 8.84 per cent. The highest accepted price was 96.24.

Dealers cited various explanations for the disappointing result. "This is not an area favoured by overseas investors, who prefer the 10-year sector," said Mr Don Smith, UK economist at Midland Global Markets. UK life insurers and pension funds, which tend to go for longer maturities to match their long-term liabilities, also showed little interest in the issue, said one dealer.

Increased fears of another near-term tightening in UK interest rates also put a damper on the auction's performance, said another dealer.

Moreover, "the Bank has issued a lot of tranchettes and the market has had to absorb a lot of supply in recent weeks," said Mr Adam Chester, economist at Yamaichi International. "This, on top of the previous supply, tipped the balance against the market."

GOVERNMENT BONDS

■ German bonds ended the day slightly lower, but bund futures staged a smart rally in after-hours trading on remarks by Bundesbank vice-president Mr Johann Wilhelm Gaddum.

He cautioned against inferring too quickly that a change in the terms for the Bundesbank's weekly securities repurchase agreements signalled a shift in interest rate policy.

This sparked speculation that the Bundesbank will soon revert to variable-rate repos, its favoured way of conducting open-market operations, after 14 weeks of fixed-rate repos, paving the way for lower short-term interest rates.

■ US Treasury bond prices held fairly steady yesterday morning despite weaker-than-expected economic news, as dealers adjusted their positions ahead of an afternoon supply auction.

By midday, the benchmark 30-year government bond was down $\frac{3}{16}$ at $93\frac{11}{16}$, with the yield rising to 8.052 per cent. On the short end, the two-year note was unchanged at 99[illegible], to yield 6.875 per cent.

The long end opened firmer, due to a mildly encouraging reading on durable goods last month. The Commerce Department reported that factory orders had risen 0.1 per cent in September, after a big gain the previous month. Analysts had forecast a 0.6 per cent increase.

But the market made scant progress on the data, with most traders awaiting the year's sixth boost in short-term interest rates sometime in the next month. In addition, many were concerned that Friday's estimate of third-quarter gross domestic product would suggest the economy was accelerating as it entered the final leg of the year.

However, bonds across the board were hovering close to their opening values in spite of a mixed performance by the dollar on the foreign exchange markets.

But some marginal weakness set into the long end just before midday, as dealers set up positions ahead of the Treasury's auction of $11bn in five-year notes during the early afternoon. Although the previous day's sale of two-year notes had generated tepid demand, there were positive expectations before yesterday's action.

■ Russia's first issue of 12-month zero-coupon Treasury bills yielded an average of 450.05 per cent at auction, according to the Moscow Interbank Currency Exchange, Reuter reports.

The finance ministry set the minimum price at 22.56 per cent of par while dealers' bids ranged from 9 to 50 per cent. Demand was for Rbs274.3bn against Rbs200bn on offer, but only Rbs60.5bn worth of the paper – 30.25 per cent of the issue – sold.

The average price totalled 25.53 per cent of face value. One-year T-bills were issued with a face value of Rbs1m.

Setback for CME chief as members reject merger plan

By Laurie Morse in Chicago

A plan to merge the two most powerful divisions of the Chicago Mercantile Exchange, the CME and the International Monetary Market, failed to obtain the required two-thirds majority in a membership referendum this week.

The defeat was a setback for Mr Jack Sandner, the CME chairman, and the exchange's board of governors, who had recommended the merger as a way to give the IMM's bank members a broader voice in exchange governance, and to bring new blood into the CME's low-volume agricultural pits.

With 90 per cent of the exchange's membership voting, 3,307 voted in favour and 2,439 against.

The measure failed to win the required majority in part because of aggressive campaigning against the merger by Mr Leo Melamed, who founded the IMM more than 20 years ago, but for the past three years has not been active in CME affairs.

Mr Melamed contended that a merger of the IMM and CME could bring unexpected consequences, and that there were other, less intrusive ways to give IMM membership greater representation at the exchange.

James Capel gains London listing for fund

By Norma Cohen, Investments Correspondent

James Capel, the UK stockbroker, has obtained a listing on the London Stock Exchange for its HSBC China Fund investment trust, in order to boost liquidity in the shares.

Its shares have been trading on the Hong Kong Stock Exchange since June 1992. However, they are trading at a discount of 20 per cent to net asset value, the largest discount of any similar vehicle.

The HSBC China Fund will be the first London-based vehicle to offer direct access to investment in China. The mandate is to split investments equally between listed and unlisted Chinese companies.

Borrowers target deals at retail investors

By Martin Brice

The euromarket saw a selection of carefully targeted deals yesterday, following the trend of short-dated issues.

Poland is planning its debut eurobond, believed to be a $200m five-year deal for next spring, and the Spanish province of Andalusia is believed to be bringing a five-year deal. An AAA-rated borrower is rumoured to be preparing a 20-year peseta deal.

INTERNATIONAL BONDS

Bayerische Vereinsbank came to the market for the second day running. Lead manager Hambros reported "a very good first-day response" for the A$100m five-year deal with a 10 per cent coupon. Other syndicate managers praised the pricing on the deal, which followed offerings for NAB and Commerzbank this year. Hambros said the spread on those deals had tightened in since launch.

Also in the Australian dollar sector, Nomura handled a three-year A$100m deal for New South Wales Treasury Corp with a 4.5 per cent coupon and a price of 88.961. Other syndicate managers said the coupon and price suggested it was aimed at Tokyo investors.

CSFB also targeted the DSL Finance DM300m four-year deal with a 7⅛ per cent coupon at a strong lead order out of Switzerland.

J.P. Morgan used the same currency and maturity to bring a DM250m four-year deal with a 7¼ per cent coupon for J.P. Morgan & Co aimed at retail demand on the European continent. Investors pick up 36 basis points by moving one year out along the curve to the four-year area. Morgan said the 10-year bund contract was trading around 88.85 at launch but fell back to 88.63. The bonds came at a spread of 14 basis points over and Morgan said they were trading at between 14 and 17.

Wood Gundy handled a seven-year C$165m deal with a 9 per cent coupon for the European Investment Bank which received positive comments from other houses. One said: "This deal will work well."

Manhattan Card Co brought a $200m offering guaranteed by credit card-backed assets in Hong Kong and lead-manager Chase Securities said most demand for the deal had come from Europe.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
DSL Finance(a)	300	7.125	99.90R	Nov.1998	0.225R	+7(5¼%-98)	CSFB-Effectenbank
JP Morgan & Co.(a)	250	7.25	100.125R	Nov.1998	0.225R	+14(5¼%-98)	JP Morgan
ITALIAN LIRE							
Rabobank Nederland	150bn	11.05	101.23	Dec.1997	1.375	-	Banca Commerciale Italiana
CANADIAN DOLLARS							
European Investment Bank	165	9.00	99.77R	Dec.2001	0.30R	+10(b)	Wood Gundy
AUSTRALIAN DOLLARS							
Bayerische Vereinsbank	100	10.00	100.97	Dec.1999	2.00	-	Hambros Bank
New Sth.Wales Treasury Corp.★	100	4.50#	88.961	Nov.1997	1.375	-	Nomura International
LUXEMBOURG FRANCS							
France Telecom(a)	2bn	8.00	102.40	Feb.2000	1.75	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Long 1st coupon. b) Over interpolated yield.

Italian SE to launch options on MIB index

By Richard Lapper

The Italian stock exchange is planning to introduce a range of options contracts over the next year, including new options on individual shares which make up the MIB index.

Mr Attilio Ventura, chairman of the exchange, said that there were also plans to introduce options contracts on the exchange's new stock index future which is based on the MIB index. Trading in the stock index future itself is set to begin on November 28.

The new options on individual shares will be exercisable any time during the life of the option. The options on individual shares quoted on the Milan bourse, known as *premi*, are typically of short duration and are exercised at maturity.

Mr Ventura said the new derivatives products were being introduced as part of efforts to increase liquidity following a big increase in interest from overseas investors. Daily trading volumes in Milan have increased sharply in recent years.

Trading in all the new derivatives products will be screen based. The exchange is also planning to introduce a secondary market for small and medium-sized companies.

Earlier this week NatWest Markets introduced a market in warrants related to each constituent part of the MIB – made up of the shares of 30 leading companies – and said it would create a liquid secondary market by publishing "live" two-way prices on Reuters.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.1600	-1.150	10.45	10.21	10.30
Belgium		7.750	10/04	94.5600	-0.020	8.58	8.32	8.45
Canada *		6.500	06/04	83.3500	-0.150	9.14	9.11	8.87
Denmark		7.000	12/04	86.9200	-0.400	9.02	8.75	9.95
France	BTAN	8.000	05/98	101.0000	-	7.85	7.33	7.43
	OAT	5.500	04/04	81.7200	-0.120	8.36	8.04	8.05
Germany Treu		7.500	09/04	98.5600	-0.060	7.71	7.41	7.52
Italy		8.500	08/04	81.0000	-0.030	11.83†	11.71	11.38
Japan	No 119	4.800	06/99	102.6750	-	4.12	4.07	3.83
Japan	No 164	4.100	12/03	95.6720	-0.150	4.78	4.69	4.49
Netherlands		7.250	10/04	97.0400	-0.020	7.68	7.41	7.45
Spain		8.000	05/04	81.3000	+0.130	11.27	11.14	10.97
UK Gilts		6.000	08/99	89-06	-9/32	8.80	8.43	8.62
		6.750	11/04	85-24	-14/32	8.92	8.59	8.82
		9.000	10/08	101-04	-15/32	8.86	8.57	8.78
US Treasury *		7.250	08/04	95-24	-5/32	7.88	7.67	7.56
		7.500	11/24	93-22	-6/32	8.06	7.89	7.80
ECU (French Govt)		6.000	04/04	82.5900	-0.270	8.77	8.48	8.59

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¾	One month	4.78	Two year	6.87
Broker loan rate	6½	Two month	5.46	Three year	7.12
Fed.funds	4¾	Three month	5.16	Five year	7.62
Fed.funds at intervention	-	Six month	5.74	10-year	7.86
		One year	6.21	30-year	8.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.68	109.50	-0.22	110.06	109.38	160,461	138,092
Mar	108.92	108.70	-0.22	108.96	108.68	429	11,488
Jun	108.14	107.92	-0.22	108.14	108.14	2	761

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	0.05	0.78	1.38	0.56	1.29	2.63
111	0.01	0.42	1.00	1.50	1.93	3.32
112	-	0.21	0.70	-	2.69	-
113	-	0.09	0.47	-	3.59	-
114	-	0.02	-	-	4.51	-

Est. vol. total, Calls 21,680 Puts 28,209 . Previous day's open int., Calls 289,329 Puts 326,058.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.78	88.63	-0.05	89.06	88.54	147790	182558
Mar	88.00	87.84	-0.06	88.04	87.77	864	4743

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
8850	0.95	0.86	1.10	1.24	0.82	1.52	1.78	1.90
8900	0.71	0.68	0.90	1.02	1.08	1.82	2.06	2.18
8950	0.51	0.50	0.72	0.84	1.38	2.16	2.38	2.50

Est. vol. total, Calls 22310 Puts 16325. Previous day's open int., Calls 264349 Puts 217909

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.25	99.55	+0.41	100.17	99.10	49672	60362
Mar	98.90	98.76	+0.41	99.20	98.90	385	4798

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9950	1.30	2.25	1.25	2.99
10000	1.04	2.04	1.49	3.28
10050	0.82	1.84	1.77	3.58

Est. vol. total, Calls 4413 Puts 3230. Previous day's open int., Calls 29695 Puts 29641

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.40	86.43	+0.08	86.78	86.35	44,379	75,779
Mar	86.40	85.50	+0.90	86.40	86.40	50	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99-26	99-10	-0-13	100-06	99-06	80001	100754
Mar	98-30	98-13	-0-13	98-30	98-30	5	46

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
99	1-24	2-13	1-04	2-51
100	0-56	1-47	1-36	3-21
101	0-33	1-23	2-13	3-61

Est. vol. total, Calls 18788 Puts 2705. Previous day's open int., Calls 70019 Puts 42449

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.84	79.56	-0.28	80.06	79.56	1,394	6,540

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-10	97-11	+0-02	97-21	97-06	383,321	394,796
Mar	96-22	96-22	+0-02	97-01	96-20	2,208	27,495
Jun	96-06	96-02	+0-06	96-08	96-02	109	11,234

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.56			107.56	107.44	2204	0
Mar	106.81			106.81	106.81	5	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Oct 26	Day's change %	Tue Oct 25	Accrued interest	xd adj. ytd		Low coupon yield Oct 26	Low Oct 25	Low Yr. ago	Medium coupon yield Oct 26	Medium Oct 25	Medium Yr. ago	High coupon yield Oct 26	High Oct 25	High Yr. ago
1 Up to 5 years (24)	118.40	-0.16	118.59	1.20	9.83	5 yrs	8.85	8.76	6.13	8.88	8.81	6.34	9.05	8.97	6.50
2 5-15 years (22)	136.69	-0.39	137.22	1.58	11.00	15 yrs	8.75	8.70	7.03	8.90	8.84	7.18	9.12	9.07	7.36
3 Over 15 years (8)	152.40	-0.41	153.04	2.20	10.57	20 yrs	8.69	8.66	7.10	8.90	8.84	7.22	9.00	8.96	7.38
4 Irredeemables (6)	171.03	-0.39	171.69	-0.18	13.47	Irred.†	8.75	8.71	7.19						
5 All stocks (60)	134.35	-0.32	134.77	1.54	10.65										

Index-linked	Wed Oct 26	Day's change %	Tue Oct 25	Accrued interest	xd adj. ytd		Inflation 5% Oct 26	Oct 25	Yr. ago	Inflation 10% Oct 26	Oct 25	Yr. ago
6 Up to 5 years (2)	185.54	-0.12	185.76	0.33	5.07	Up to 5 yrs	4.01	3.94	2.29	2.82	2.75	1.45
7 Over 5 years (11)	171.90	-0.45	172.68	0.77	4.36	Over 5 yrs	3.92	3.88	3.14	3.72	3.63	2.96
8 All stocks (13)	172.44	-0.42	173.16	0.72	4.41							

Debentures and Loans	Wed Oct 26	Day's change %	Tue Oct 25	Accrued interest	xd adj. ytd	5 year yield Oct 26	Oct 25	Yr. ago	15 year yield Oct 26	Oct 25	Yr. ago	25 year yield Oct 26	Oct 25	Yr. ago
9 Debs & Loans (77)	125.33	-0.29	125.70	2.26	9.24	9.99	9.83	7.72	9.87	9.79	8.04	9.77	9.75	8.17

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 26	Oct 25	Oct 24	Oct 21	Oct 20	Yr ago	High*	Low*
Govt. Secs. (UK)	90.08	90.40	90.94	91.29	91.30	102.98	107.04	89.54
Fixed Interest	107.08	107.46	107.94	108.05	108.31	124.83	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 25	Oct 24	Oct 21	Oct 20	Oct 19
Gilt Edged bargains	87.8	84.6	91.9	86.8	89.4
5-day average	84.1	84.5	89.9	91.0	94.4

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	8.97	-	100⅛xd		103⅛	100⅛
12pc 1995	11.83	5.83	101⅜	-⅛	107⅛	101⅜
Exch 3pc Gas 1990-95	3.04	5.74	98⅝xd		99⅞	97¾
10¼pc 1995	9.99	6.66	102⅝	-⅛	107⅜	102⅝
Treas 12¾pc 1995‡‡	12.06	7.03	105¾xd	-⅛	113⅝	105¾
14pc 1996	12.99	7.29	107¾	-⅛	117⅛	107¾
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Funding 3½pc 1999-4	4.88	7.77	71¾	-⅜	88⅛	69⅛
Conversion 9½pc 2004	9.21	9.03	103⅛	-⅜	125⅛	101⅜
Treas 6¾pc 2004‡‡	7.87	8.98	85⅞xd	-⅜	105⅛	84⅜
8½pc 2005	8.74	8.90	97¼	-⅜	100⅝	97
Conv 9½pc 2005	9.19	9.00	103⅜	-⅜	125½	102⅛
Treas 12½pc 2003-5	10.47	9.32	119⅜xd	-⅜	143⅞	118⅛
7¾pc 2006‡‡	8.45	8.90	91⅞	-⅜	112⅜	90⅛
[illegible]						

Index-Linked Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
2pc '96 (67.9)	2.77	4.18	199⅝	-⅛	203⅝	197⅜
4⅝pc '98‡‡ (135.6)	2.84	3.86	107⅛	-⅛	113⅛	106⅛
2½pc '01 (78.3)	3.44	3.87	169¼	-⅛	176⅝	163½
2½pc '03 (78.8)	3.54	3.89	161⅛xd	-⅛	173⅝	159⅛
4⅜pc '04‡‡ (135.6)	3.59	3.92	107⅞	-⅛	118⅛	107⅛
2pc '06 (69.5)	3.63	3.89	167⅛	-⅛	184⅛	165⅛
[illegible]						

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88	88⅜	-⅛	8.52
Alberta Province 7⅝ 98	1000	99¼	99½		7.85
Austria 8½ 00	400	102¼	102½		7.94
Bank Ned Gemeenten 7 99	1000	96½	96⅞		7.89
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100⅝	100⅞	-¼	6.89
Volkswagen Intl Fin 7 03	1000	93⅛	94⅛	-⅛	8.02
World Bank 0 15	2000	19⅜	20½	-⅜	7.97
World Bank 5⅞ 03	3000	87¼	87⅞	-¼	7.81
World Bank 8¾ 00	1250	109¼	109¾	+⅛	6.66
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	90¼	90⅝	-¼	9.73
Alliance Leics 11⅜ 97 £	100	105½	105⅞	-⅛	8.80
British Land 8⅞ 23 £	150	86⅛	86⅝	-⅛	10.63
Denmark 6¾ 98 £	800	92¼	93⅛	-¼	9.08
EIB 10 97 £	637	102⅞	103¼	-⅛	8.51
[illegible]					

[illegible]

COMPANY NEWS: UK

BFI warns Attwoods investors

By Peggy Hollinger

Browning-Ferris Industries, the US waste group stalking Attwoods, yesterday sought to steal a march on the UK company by urging investors to be wary of promises made in fighting off the £364m cash bid.

The letter was sent to shareholders in advance of Attwoods' second defence document, which is expected this week.

Attwoods is thought to be planning to publish projections on sales and profits which would show expectations of a substantially improved performance in 1995. The defence is expected to reinforce Attwoods' argument that the offer is too low.

BFI said its own document "reiterates that the group has not lived up to its promises."

Since 1992 operating margins and earnings per share had fallen, while debt as a proportion of shareholders' funds had risen.

BFI quoted a series of statements made by Attwoods since 1992 to support its claim that the group had consistently failed to deliver on promises of improvements. "Don't take any more chances," BFI said. "Don't gamble your investment and risk further disappointment. We urge you to accept the BFI offers."

The statements chosen by BFI were excerpts from annual reports and newspaper articles. Attwoods responded last night by saying that the quotes had clearly been taken out of context. "This is complete nonsense," the company said. "No one ever disputed those three years would be difficult."

Attwoods published its own excerpts from annual reports dating back to 1992, indicating substantial uncertainty over trading conditions up to 1994.

However, Attwoods said it was grateful to BFI for reminding shareholders of recent confident remarks for 1995. It would shortly outline the specific factors which underlined that confidence.

BFI is offering shareholders 109p cash for Attwoods ordinary shares and 85p per preference share.

At current exchange rates, BFI said this represented $9.20 per American Depositary Receipt, equivalent to five ordinary shares.

BFI stressed that, if successful, it would pay the declared final net dividend of 3.25p.

It is today expected to publish its full-year results showing profits for the first time in its recycling business.

Meanwhile, Fidelity Investments yesterday disclosed that it had sold virtually all of its preference shares to Salomon Brothers, the US investment bank.

After-care service of a quick sell

Alison Smith on the industry's response to the mis-selling of pensions

As estimates of the total bill facing the life insurance industry to compensate victims of poor advice to take personal pensions soar to £2bn, life companies are having to review their sums as well as their individual cases.

Almost all life insurers have made some provision for possible pension compensation in their accounts for 1993, on the basis of how bad the extent of mis-selling looked last year.

In its role as prudential supervisor, the Department of Trade and Industry wrote to life companies in January to check what provisions they had made. Now it is repeating the exercise, as the potential liability has grown sharply.

The original cause for concern last December was a pilot study by KPMG Peat Marwick, the accountancy firm, suggesting that in nine out of 10 cases sales of personal pensions to people transferring a lump sum from an occupational scheme did not meet regulators' standards.

Life companies emphasised that in many cases the advice would have been good though the record-keeping was poor, and played down the cost of compensating cases where a pension had been mis-sold.

Now there seem to be two areas of business which were not previously thought to be a significant problem.

Life insurers thought the number of cases where someone took a personal pension and left an employer's scheme to do so was relatively small, since there would clearly be a disadvantage to the investor in giving up the employer's contribution. They did not know how many had bought a private plan instead of joining an employer's scheme.

A survey by actuaries Bacon & Woodrow for the Securities and Investments Board, the City's chief regulator, suggests about 300,000 people were advised to opt out of an occupational scheme and about 500,000 were advised not to join.

Advice to take either course is more likely to have been poor than advice to take a pension transfer, and the cost of redress is likely to be higher. Identifying victims of mis-selling here will itself be an expensive task for life companies.

There was little quarrelling from life companies yesterday about the prospect that they would have to make more provisions in the light of the new information. Only Prudential, the UK's largest life insurer, maintained that it did not need to make specific provision.

Insurers emphasised, however, that the amounts of compensation likely to be payable by most companies were "small change" in relation to their assets, and might have even less effect on policyholders and shareholders than poor investment performance or volatility in the markets.

Legal & General, one of the UK's largest life insurers, was the first to acknowledge it would have to raise provisions to take account of administrative costs and the prospect of contributing – through the Investors' Compensation Scheme – to redress for the clients of independent financial advisers which had gone out of business.

Bradford & Bingley Building Society, the largest organisation to act as an independent adviser, said that having provided £5m already, it would be setting aside a further £5m.

Others, however, took a different view. Pearl Assurance, for example, said it expected provisions to be "a bit higher, but nothing like twice as much".

Similarly at BAT, which owns Allied Dunbar and Eagle Star, the expectation was that provisions would have to increase only slightly. Its earlier estimate for provisions across the two companies had been about £10m.

It acknowledged, however, that it was in a somewhat unusual position because Allied Dunbar had professional indemnity insurance at Lloyd's, and the insurers had already been notified of a potential claim.

The greatest concern seemed to be the unknown factors which could ultimately affect the amounts they would have to pay through the ICS.

Mr Chris Brocksom, chief executive of AXA Equity & Law, said that in making provisions last year it had taken little account of what it might have to pay for compensating clients of independent advisers no longer in business.

Both he and Mr Philip Scott, life and pensions general manager at Norwich Union, highlighted how little information there was here. First, no one knows how many independent advisers will go out of business and so require the ICS to come into play. Second, it has not yet been decided how that ICS bill should be divided between life companies.

For the year to March 31, it will be allocated on the current basis for sharing out the cost of compensation across the retail financial services sector. But most claims will come later and no arrangement has been made for how the bill should be divided then. Companies which do most business through independent advisers might have to pay more.

With so much unresolved, the DTI letters may reach life companies this week but they are unlikely to get definite answers for many months to come.

New owner seeks to revitalise Sock Shop

By Peggy Hollinger

Sock Shop, the 1980s retailing phenomenon which collapsed four years ago, could come back to the market following its sale yesterday to Sheffield entrepreneur Mr Stephen Hinchliffe.

Mr Hinchliffe has spent the two years since his abrupt departure from quoted companies James Wilkes and Lynx Holdings building up a group of retail businesses.

In August his latest company, Salisbury Stores, acquired the lossmaking Salisbury luggage chain from Signet, the jewellery group formerly known as Ratners, for £3.18m.

Salisbury Stores is buying Sock Shop from Murray Johnstone, the Scottish financial group, in return for a convertible equity stake believed to be about 10 per cent. The purchase will create a private retailing group with sales of more than £100m.

Mr Hinchliffe said Salisbury aimed to come to the market in about two or three years when "market conditions are right and when our performance is good enough to give some credibility".

Sock Shop is believed to be breaking even on sales of about £20m. It collapsed three years after flotation following an ill-fated expansion into the US. It was bought by a management team backed by Murray Johnstone, which eventually controlled the group.

Mr David MacLellan of Murray Johnstone will join the Salisbury Stores board.

Mr Hinchliffe said he expected to broaden the products on offer at Sock Shop, introducing accessories and gifts. The enlarged business would enjoy "significant merger benefits, including cross-fertilising merchandise", he said.

In September Mr Hinchliffe separately acquired the Colibri cigarette lighters business.

Barrs name their choice for chairman

By Richard Wolffe

Nicholas and Robert Barr, the brothers who lead the rebel shareholders at Barr & Wallace Arnold Trust, yesterday named a chairman designate to replace their uncle on the board of the leisure and motor distribution group.

The brothers, who claim majority support among ordinary – voting – shareholders, announced that Sir David Rowe-Ham would be their candidate as chairman in place of Mr Malcolm Barr.

Sir David, a former Lord Mayor of London, is a non-executive director of Williams Holdings and Apta Healthcare.

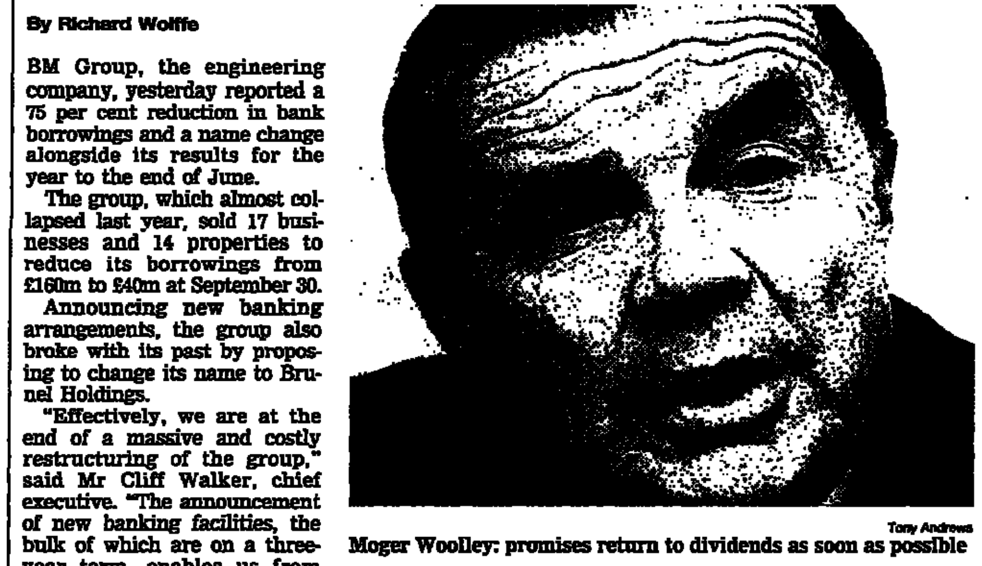
The brothers, who have called an EGM to unseat the group's present chief executive and finance director, also appointed NM Rothschild as their financial advisers.

They plan to run the company's two core divisions as stand-alone businesses, and enfranchise the non-voting A shares, owned almost entirely by institutions.

The board has called another EGM to discuss its own plans for enfranchising the A shares. A document is expected imminently.

BM cuts deficit to £71.5m and proposes name change

By Richard Wolffe



Tony Andrews

Moger Woolley: promises return to dividends as soon as possible

BM Group, the engineering company, yesterday reported a 75 per cent reduction in bank borrowings and a name change alongside its results for the year to the end of June.

The group, which almost collapsed last year, sold 17 businesses and 14 properties to reduce its borrowings from £160m to £40m at September 30.

Announcing new banking arrangements, the group also broke with its past by proposing to change its name to Brunel Holdings.

"Effectively, we are at the end of a massive and costly restructuring of the group," said Mr Cliff Walker, chief executive. "The announcement of new banking facilities, the bulk of which are on a three-year term, enables us from now on to focus all our management concentration on the development of our ongoing businesses."

Pre-tax losses were reduced from £117m to £71.5m. The deficit was struck after £57.5m of exceptionals, which included a £51.6m goodwill write-off and £12.7m pension prepayment write-off, both relating to the disposal programme.

At the operating level the company reported profits of £6.73m for the year against losses of £1.23m on sales of £408m, down from £547.2m. But interest costs still amounted to £11.6m (£14.1m).

The company also announced recommended offers to acquire all the preference shares of Blackwood Hodge, the construction equipment distributor, for 6.57m new BM ordinary shares, with a market value of £2.95m at last night's close.

BM, which already owns the entire ordinary share capital of Blackwood Hodge, intends to liquidate the company.

The £50m acquisition of Blackwood Hodge in 1990 was largely blamed for the difficulties which led BM to breach its covenants on interest cover and net assets last year. The company is still considering litigation against Hambros, the merchant bank which advised on the purchase.

Blackwood Hodge reported reduced pre-tax losses of £8.12m (£44.2m) for the year to June 30. Turnover fell from £267.7m to £235.6m after disposals including its lossmaking Canadian operations. BM has sold virtually all of the Blackwood Hodge businesses.

BM is concentrating on its process engineering businesses, including skid steer loaders, fasteners and woodworking machinery. More than 50 per cent of its sales are to customers outside the UK.

Mr Moger Woolley, chairman, said BM would return to normal preference dividend payments this year, including arrears for the year to June 30. He also announced its intention to return "as soon as possible" to the payment of ordinary dividends, which were last paid at the interim stage in 1992-93.

Losses per share declined from 109.1p to 63.4p. The shares rose ¼p to 45p yesterday.

See Observer

Churchill China raises just £7.5m in placing at 280p

By David Blackwell

Churchill China yesterday became the third Staffordshire-based china company to float this year – but the state of the new issues market sharply curbed its ambitions of just three weeks ago.

At the time of the pathfinder prospectus on October 5 the company was aiming to raise £15m through a placing. Yesterday Hoare Govett placed a total of 2.68m ordinary shares, fully underwritten, raising just £7.5m.

Mr Peter Siddall, chairman, described the new issues market as "not very receptive. We took the view that we had got this far, and we wanted to go ahead."

The shares were priced at 280p to give Churchill a capitalisation of £29.7m. Earnings are forecast at 25.4p, giving a prospective multiple of 11.

Mr Siddall said that when the flotation process was started, the company had been looking at a "significantly higher" multiple.

Of the shares issued, only 1.25m are new, with the remainder being sold by the Roper family that controls the company. There are three Roper brothers on the board, and together with their families and family trusts, they continue to hold the bulk of the 10.62m shares in issue following the placing.

The family, which was planning to sell £10m worth of shares, has sold just £4m.

New money for the company, net of expenses, is £2.9m. This compares with the £5m originally expected to help pay for an investment programme to improve capacity and quality.

Mr Siddall said yesterday that the company would press ahead with the programme, although the reduction in money raised might lead to some rescheduling.

Churchill is forecasting pre-tax profits, before bonuses to directors, of not less than £3.6m for 1994. This compares with last year's £2.9m, struck on turnover of £36m.

The notional dividend is 9.86p, giving a notional yield of 4.4 per cent.

Dealings begin next Tuesday.

Kwik-Fit to acquire Superdrive

By Andrew Bolger

Kwik-Fit Holdings, the Edinburgh-based tyres, exhausts and brakes fitter, has agreed to buy the Superdrive chain of 125 tyre and exhaust centres from Shell UK.

The deal, worth £21.5m, will increase Kwik-Fit's number of outlets to almost 800 and boost its presence in the south of England, where it has been under-represented.

The Superdrive chain, launched in 1982, made operating losses of £3.4m on sales of £41.7m last year. Shell said it had decided to sell in order to focus on its core oil businesses.

Mr Tom Farmer, chairman and chief executive of Kwik-Fit, estimated that it would take six to nine months to overhaul the Superdrive outlets, although they would benefit immediately from a less onerous cost structure.

He said: "The combination of Superdrive and Kwik-Fit gives us a tremendous opportunity to create an even stronger group, attract more customers and increase income."

Kwik-Fit has paid £9.5m in cash from its own resources for the chain and will assume £12m of debt on completion.

The Superdrive fast-fit outlets are located in the Midlands, London and the south of England, supplying and fitting motor vehicle parts including exhausts, tyres, brakes, vehicle servicing and MOT testing.

A particular attraction of Superdrive was that it offered sites in southern towns such as Tunbridge Wells and Windsor, where there were significant planning obstacles to entry.

Mr Farmer said that consolidating the two chains would probably lead to the closure of about 25 outlets, although in some cases of overlap the new Superdrive outlet would be preferred to the existing Kwik-Fit site. He was keeping an open mind about the future of Superdrive's MOT testing operations, which Kwik-Fit does not currently offer.

NEWS DIGEST

Olives at £224,000

Olives Property, the property investment and development company, reported pre-tax profits of £224,404 on turnover of £753,558 for the six months to June 30.

The outcome compared with a pre-tax profit of £720,392 on turnover of £1.34m last time, although that was bolstered by exceptional income of £812,952 relating to settlement of a legal dispute.

Earnings per share came out at 0.46p (4.2p).

Rental income was running at £1.86m a year, said Mr Tony Grant, chairman and joint chief executive, and the company was now achieving sufficient revenue to cover ongoing overheads.

Net assets increased from £5.51m to £15.5m, principally because of the rights issue associated with the acquisition of Huby Estates, which raised a net £9.79m.

A capital reorganisation has been approved by the High Court and the cancellation of the capital redemption reserve and part of the share premium account had been effected. The board intends to recommend payment of a final dividend in respect of 1994.

Courtyard Leisure

Courtyard Leisure, the USM-quoted wine bar and restaurant operator, is attempting to trace the ultimate beneficiary of an 8.8 per cent stake taken by Gilland of Belgium.

Mr Ali Safa, Courtyard's chairman and largest shareholder with a 15 per cent stake, said: "We believe it is a friendly investment but we need to check."

Mr Safa said a number of overseas institutions had approached the company over the past month with the view to making an investment.

Archer

Archer Group Holdings, the Lloyd's agency, announced yesterday that it may launch a "dedicated" investment trust to raise funds for the 1995 underwriting year.

If successful, Archer would join a handful of other groups planning such vehicles, investing in only a narrow range of syndicates at the London insurance market, for next year.

Butte revises loss

Butte Mining's audited results for the year to June 30 showed pre-tax losses of £351,000, giving losses per share of 0.15p. The preliminary announcement gave pre-tax losses of £436,000.

The improvement comes as a result of the company writing back certain provisions no longer necessary.

Prowting

Prowting, the housebuilder, announced yesterday the conversion of 49.9m A ordinary shares of 20p each into ordinary shares of the same value.

The conversion was in accordance with its articles of association, the company said, and application would be made for the new shares to be admitted to the Official List.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BM	fin	nil	-	nil	nil	0.5
Bourne End Props	int	0.5†	Jan 4	0.75	-	1
Bridport-Gundry	fin	1.75	Jan 31	1	3	2.5
CentreGold	fin	1.6	Dec 6	-	2.4	-
Essex Furniture§	fin	2.5	Dec 6	2	4.3	3.5
Gieves	int	0.5	Dec 19	nil	-	1
Govett Oriental	int	0.4	Dec 16	0.4	-	1.15
Murray Split	fin	2.65	Dec 15	2.65	10.6	10.6
Sec Tst of Scot	int	1.08	Dec 16	1.08	-	3.25
Trace Computers	fin	0.95	Dec 28	0.9	1.5	1.45
Venturi Inv Tst	int	1.66	Dec 2	1.56	-	3.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

PUBLIC WORKS LOAN BOARD RATES
Effective October 25

Years	'Lower' quota rates EPt	ANt	maturity§	'Higher' quota rates EPt	ANt	maturity§
1	-	-	6¾	-	-	6⅞
Over 1 up to 2	7	7⅛	8	7⅛	7¼	8⅛
Over 2 up to 3	7⅝	7⅜	8½	7¾	7⅞	8⅜
Over 3 up to 4	8⅛	8¼	8¾	8¼	8⅜	8⅞
Over 4 up to 5	8⅜	8½	8⅞	8½	8⅝	9
Over 5 up to 6	8⅝	8⅝	9	8¾	8¾	9⅛
Over 6 up to 7	8¾	8¾	9⅛	8⅞	8⅞	9¼
Over 7 up to 8	8⅞	8⅞	9⅛	9	9	9⅜
Over 8 up to 9	8⅞	9	9¼	9	9⅛	9⅜
Over 9 up to 10	9	9	9⅜	9⅛	9⅛	9⅜
Over 10 up to 15	9⅛	9⅛	9⅛	9⅜	9⅜	9½
Over 15 up to 25	9⅛	9⅛	8⅞	9⅜	9½	9¼
Over 25	9	8⅞	8⅞	9⅜	9¼	9¼

New issues defy ailing image

Christopher Price on the more robust view from an FT survey

Just how sick is the new issues market? The recent spate of profit warnings, share price slumps and executive departures would seem to indicate something terminal.

However, a survey by the Financial Times reveals a far more robust picture. In fact, more than half of the industrial and commercial companies which have come to the market this year have outperformed the FT-SE-A All-Share Index, while many of the underperformers have achieved parity or scored better than their sector indices.

The survey covered 85 issues made since the start of January to the end of September – excluding investment trusts, investment companies, demergers and non-UK businesses. It shows the All-Share was outperformed by 0.8 per cent.

Thus for every high profile share price slide – such as Aerostructures Hamble, down 74 per cent since issue; MDIS, down 60 per cent; Coda Group off 65 per cent; and DRS Data down 68 per cent – there have been several over-achievers.

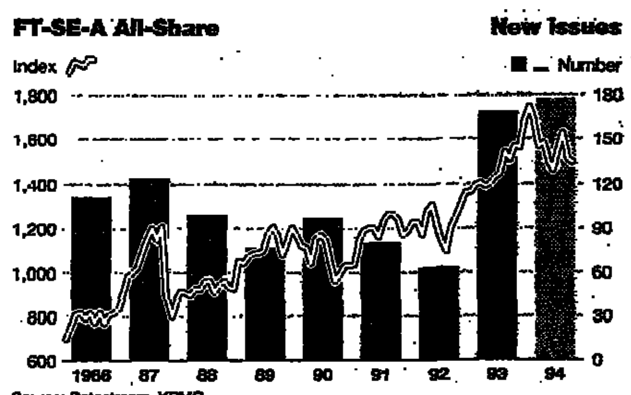
Shares in Waste Recycling Group, for example, have outperformed the market by 47 per cent, Domnick Hunter Group by 41 per cent and Inspec Group by 40 per cent.

The performance of various newly quoted companies against their sector indices is also revealing, with 58 per cent outperforming the field.

For example, construction group Amey Holdings only outperformed the All-Share by 4 per cent, yet achieved a near 19 per cent score against the FT-SE-A building and construction sector.

Likewise, Keller turned a deficit of 12.4 per cent into a gain against the same index of nearly 7 per cent.

There is also a divide between the first four months of the year and the latter period. Flotations since May have outperformed the All-Share by more than 5 per cent (up to Monday's closing price).



Source: Datastream, KPMG

1994 NEW ISSUES: FT-SE BUILDING AND CONSTRUCTION SECTOR

Company	Issue Date	Market Value (£m)	Issue Price (p)	Premium 25/10/94	Performance relative to: Sector	All-Share
Beazer Homes	25/3/94	463.39	165	-18.18	5.69	-14.07
Wainhomes	30/3/94	105.81	170	-25.29	-6.44	-21.61
Keller Group	5/5/94	72.80	130	-15.38	6.65	-12.42
Redrow Group	17/5/94	298.40	135	-18.52	-2.95	-15.11
Amey Holdings	10/6/94	161.00	161	3.11	18.76	4.39

Research: Richard Brown. Source: Datastream.

But those joining the market in the previous four months – the index peaked at the end of January – have underperformed by nearly 6 per cent.

This partly reflects the volatile market conditions, which have led to a general decline since the start of the year.

"A big proportion of companies were coming to the market and being priced at a time when optimism was high and the index was at a record," says Mr Sandy Muirhead, managing director at Charterhouse Tilney, the merchant bank.

Lower interest rates and investment trust sales in the last quarter of 1993 coincided with increased institutional demand for equity, in particular that of smaller companies. There had also been a high number of management buy-outs in the previous two to three years, and venture capitalists were keen to exit.

"A huge arbitrage gap opened up at the time between floating and trade sales," said one corporate financier, "and there were many eager takers".

This meant that the supply of companies was swollen by those which under different circumstances might not have floated – for instance high-technology companies with a limited track record and high cash needs because of research.

But institutional demand was soon exhausted by the flood of issues, particularly against a backdrop of the falling equity market. About one fifth of this year's floats have an electronic/high-tech background, sectors which have been hardest hit by the downturn in the equity market.

"The lack of demand for stock from the institutions has had an exaggerated effect on the shares for a number of new issues," says Lord McGowan, head of corporate finance at Panmure Gordon.

He adds that the situation has been made worse by the lack of liquidity associated with some new issues, which often involve placing a relatively small proportion of the shares.

Mr David Manning, director of UK equities at Legal & General, says the problem with this year's new issues has been one of numbers, rather than any other sort of failing.

"The more new issues there are, the more the likelihood of some unsuitable candidates coming to the market. Successfully-run MBOs do not alway make successful PLCs – particularly where a single product, or single major customer is involved."

Mr Andrew Parry, head of UK equities at Barings, the UK fund management group, is more critical. "There were just too many issues and I think the quality control on the corporate finance side slipped. There were quite a lot of companies that should not have come to the market."

But the corporate finance industry has been quick to reject recent criticism. "Any merchant bank knows that its reputation is at stake in bringing a company to the market," says Mr Muirhead.

"If the float goes badly, everyone suffers, not just the investor," said one financier. "I don't believe for a moment there has been a lowering of standards. The whole situation has been exaggerated because of the Hamble shambles."

Another corporate financier concluded: "Some investors are feeling a bit sore and are showing an unwillingness to participate in new issues. But there are as many who are satisfied. These things go in cycles. A big privatisation will probably settle things down." In other words, a comfortable profit would soon sweeten shareholders' memories.

See Lex

CentreGold at £4m and makes £5m acquisition

By James Whittington

CentreGold, the electronic games publisher and distributor, yesterday announced a 48 per cent increase in annual pre-tax profits and the acquisition of Core Design, an entertainment software publisher, for £5.34m.

The company, which was floated in October 1993, reported pre-tax profits of £4.03m (£2.72m) for the year to July 31. New product launches, higher US sales and the growing popularity of personal computer software in CD-Rom format helped the group to offset margin pressures.

Turnover advanced by 34 per cent to £91.3m (£68m). On the publishing side, sales were up 62 per cent to £50.4m reflecting an increase in compact disc-based products and the launch of the group's first Nintendo video games.

Publishing sales in the US more than doubled, from £7.6m to £18.8m. Overseas sales accounted for 41 per cent (24 per cent) of divisional turnover. Turnover in software distribution moved ahead by 11 per cent to £40.9m.

Earnings per share increased to 7.8p (5.63p excluding new shares issued on flotation). A final dividend of 1.6p makes a total of 2.4p.

Mr Geoff Brown, chief executive, said the acquisition of Core would help consolidate the group's position in software development. It reported sales of £4.74m last year.

Some £2.94m of the purchase price will be paid in cash, with the balance in 2.74m shares issued to Mr Jeremy Smith, Core's managing director.

CentreGold shares, which were floated at 125p, gained 16p yesterday to close at 105p. Mr Brown said that "most investors still don't understand what we do".

Calluna coming to USM with £35m price ticket

By Christopher Price

Calluna, which designs and manufactures miniature hard disk drives, yesterday announced it would raise £10.3m in a placing on the Unlisted Securities Market which will value the Scottish company at £35m.

Nearly 17m new shares are to be issued at 65p each, representing 32 per cent of the enlarged share base.

Following the placing, the management's stake will fall from 39 to 28 per cent, with the remainder being taken up by a variety of old and new institutional investors.

Mr Norman White, managing director, said that neither the management nor current investors in the three-year-old company would be taking any money out. "All the proceeds from the placing will be put back into the company in order to fund our planned expansion," he said.

The company's prospectus issued yesterday contained two pages of "risk factors" – highlighting the unpredictable nature of the computer component market with regard to intellectual property rights, developing new products and competition.

Calluna incurred a pre-tax loss of £1.69m for the 12 months to March 31 1994, compared with a £1.37m deficit for the 18 months to March 1993. The company made its first sales last year amounting to £301,000. Mr White said that he expected the company to make an operating profit by the middle of next year.

The company manufactures high capacity 1.8 inch removable disk drives which can be inserted into slots conforming to the PCMCIA industry standard in the latest generation of personal computers. The drives enable users to increase their storage capacity, move data and remove different sized amounts of data from PCs for security reasons.

Calluna developed a revolutionary 1.8 inch hard disk drive, capable of storing more than 80 megabytes of data. It also makes 130MB and 170MB drives and will soon announce a 260MB product, all under the Callunacard name.

It points out that a recent industry report forecasts the number of worldwide shipments of 1.8 inch hard disk drives will rise from 694,000 this year to 20.6m in 1998.

Dealings in the shares start on October 31.

Seaperfect ready for market

By Peggy Hollinger

Seaperfect, the world's largest controlled producer of shellfish, is coming to the market next month through a £27m placing and offer which will value the scallop and clam farmer at about £60m.

The company, which was founded by an American computers entrepreneur, yesterday published a pathfinder prospectus setting out its reasons for coming to the UK market.

In it, Seaperfect forecasts that losses this year will not exceed £1m. Last year the group incurred pre-tax losses of £2.69m.

Mr Bill Lord-Butcher, the US-born chief executive, said flotation would give Seaperfect the means to increase scallop and clam production 10-fold over the next few years to meet rising demand. Currently the group processes some two tonnes of shellfish a day.

It farms shellfish in Chile, Florida and South Carolina, producing seed in its hatcheries and setting the young clams and scallops in protected coastal areas. The process takes 17 and 30 months from seed to harvest for scallops and clams respectively.

Mr Lord-Butcher argues that controlled production will become increasingly important as wild shellfish stocks decline because of over-fishing, pollution and poor reserve management. Wild catch, mostly from Japan and China, still dominates the market for shellfish.

The company warns in its prospectus, however, that the business does come with a certain degree of risk, in spite of the controlled production processes. Where possible insurance had been taken out against factors such as disease and pollution.

After the placing and offer directors will hold 21 per cent of the company and new investors 44 per cent.

Rentokil $8m indoor plants buy

By Andrew Bolger

Rentokil, the environmental and property services group, has continued to expand its tropical plants business, which supplies and maintains decorative trees and indoor plants in commercial settings, via an $8m (£5m) acquisition.

Foliage Plant Systems operates a tropical plant rental and service business in New Jersey and New York, with branches in Boston, Washington, Hartford and Philadelphia.

It will be added to Rentokil's existing US tropical plants business, which is the market leader. Last year it pushed sales up 35 per cent to £40.9m.

Foliage Plant Systems had sales of $7.6m last year. The consideration is payable in cash, with $1.5 million deferred, subject to the achievement of certain targets.

Rentokil moved into the plants business in 1986 when it bought Plants at Work. More than 40 acquisitions later it claims market leadership in about a dozen countries.

Clive Thompson: pleased with progress of Securiguard

Mr Clive Thompson, chief executive, said he was very pleased with the progress of Securiguard, the UK security group bought for £76m last year. He intended to develop the security business in the UK, and perhaps in the US.

Mr Thompson said the group was represented in all of the main developed countries. He had no intention of entering new countries. The only possible exception was Mexico, which seemed a suitable area for the core activities – tropical plants, healthcare and pest control.

Rentokil yesterday also announced five small bolt-on acquisitions, although the turnover and cash considerations involved came to less than £1m for all five.

Two of the acquisitions were pest control companies – Commercial Pest Elimination of Florida, and Servyrep in northern Spain. K&L Hygiene Services, in northern Germany, and Waterloo Services Company, based in London, are both hygiene businesses. Allens Indoor Gardens of Brisbane will be added to the group's tropical plants business in Australia.

Apollo launches rights to fund Aviation Metals deal

By Paul Cheeseright, Midlands Correspondent

Apollo Metals, the aluminium distributor and processor, is expanding into specialised steels with the £8.55m cash purchase of Aviation Metals.

The acquisition is being financed by a rights issue – Apollo's second in two years – underwritten by Granville Davies to raise a net £7.79.

Aviation Metals is a private company specialising in sales of stainless steel to the aerospace and defence industries. Despite depression in these markets, it has raised turnover marginally over the last three years. Sales during the year to July were £8.21m, giving pre-tax profits of £1.4m.

The rights issue of up to 11m shares is on a 3-for-5 basis at 77p; preference shareholders are offered 24 ordinary shares for every 29 preference.

Apollo shares dipped 1p to 95p yesterday.

Apollo estimated pre-tax profits for the year to September would not be less than £270,000, against £1.02m.

The group lapsed into a pre-tax loss of £219,000 during the first half but said yesterday it was experiencing improvement in its trading environment. It intends to pay a 2.4p final.

NEWS DIGEST

New outlets lift Essex Furniture

Essex Furniture, the USM-quoted retailer and manufacturer, increased annual pre-tax profits by 29 per cent from £1.09m to £1.41m on sales ahead 65 per cent to £17.7m.

The company attributed the progress in the year to June 30 to the success of its new showrooms, combined with a significant comparable sales improvement from existing outlets. The back order position at the year end was more than £4m.

A final dividend of 2.5p makes a 4.3p (3.5p) total. Earnings were 8.05p (6.24p).

Time sells Stylecraft

Time Products, the luxury watch and jewellery distributor, is selling Stylecraft, its watch strap manufacturing business in Montreal, Canada.

However, the £600,000 sale will have a "negligible effect" on the profitability of a group that has in the pipeline a watch with a £500,000 price tag. Described as the "most complicated pocket watch ever made", it has 11 hands and movements on both sides.

Molyneux listing

Molyneux Estates, the property investment concern currently traded on the USM, has applied for a full listing.

Dealings are expected to begin on today

Murray Split

Murray Split Capital Trust reported a net asset value of 136.7p, per capital share as at August 31, an advance of 22.7 per cent over the year.

Total assets improved by 6.1 per cent to £25.6m, outperforming a 5.8 per cent gain by the FT-SE-A All-Share Index. The total return on net assets was 10.7 per cent, against 10.1 per cent for the All-Share.

Earnings per income share emerged at 11.3p (10.29p). The proposed final dividend is maintained at 2.65p, holding the total at 10.6p.

Bourne End Props

Bourne End Properties achieved a return to profit in the first half of 1994, with £231,000 before tax. The figure would have been higher but for professional costs of £300,000 connected to its planned joint venture to acquire a large property portfolio.

The previous first half carried a £145,000 loss, but a small profit in the second half resulted in a reduced pre-tax deficit of £55,000 for 1993.

Rental income in the six months advanced to £7.44m (£2.19m).

The company said that a £103m portfolio acquired last December had been fully consolidated and a further £30m of property had been purchased.

Earnings per share were 0.42p (1.25p losses). The interim dividend is reduced to 0.5p (0.75p) to reduce disparity.

Secs Tst Scotland

Net asset value per share at Securities Trust of Scotland slipped to 85.6p in the six months to September 30, compared with 89.2p last time, and 90.1p at March 31 1994.

The trust, managed by Martin Currie, had net revenue of £5.07m (£5.48m). The tax charge of £1.66m included provision for a £293,500 advance corporation tax write-off for the interim period.

Earnings per share came out at 1.57p, compared with 1.7p, with the interim dividend unchanged at 1.08p.

Gieves

Gieves Group, the Savile Row tailor which also has licensing and publishing operations, yesterday reported pre-tax profits of £518,000 for the half year to July 31.

The outcome, achieved on turnover of £9.13m (£8.84m), compared with profits last time of £837,000. However, on a like-for-like basis, excluding the release of a £535,000 provision arising from the disposal of Redwood Press, the book and magazine manufacturing business, in 1992 the pre-tax line rose 72 per cent.

Earnings per share dropped to 1.5p (5.4p) but an interim dividend of 0.5p (nil) is declared.

Bridport-Gundry

Bridport-Gundry reported a more than fourfold increase in pre-tax profits for the year ended July 31, from £162,000 to £753,000.

Sales at the technical textile manufacturer were flat at £27.1m (£27.4m), with the proportion of revenue from overseas rising from 65.4 per cent to 68.4 per cent.

Operating profit from continuing operations was 46 per cent ahead at £1.15m (£813,000). Net interest and similar charges almost halved, from £603,000 to £318,000, as net borrowings were reduced to £1.8m (£3m).

Earnings per share came out at 6.16p (0.84p). The recommended final dividend is 1.75p, bringing the total to 3p (2.5p).

Midland & Scottish

Midland & Scottish Resources achieved a further reduction in losses in the first half. After reporting a reduction to £48.3m in 1993, the deficit for the six months to June 30 1994 was cut from £16.5m to £7.18m.

Turnover fell from £35.4m to £24.5m. Administrative expenses of £6.3m (£4.89m) included provisions related to an amount due from Mr Martyn Deaner, the former chairman, which the company believes is unlikely to be recovered.

Losses per share emerged at 4p (9p).

Abtrust Lloyd's

Abtrust Lloyd's Insurance Trust had net assets per share of 84.85p at the end of the six months to May 31.

The trust, one of those set up to take advantage of the acceptance of limited liability capital, had a net asset value per share of 95.18p when it came to the market in November 1993.

Net revenue was £296,316. Earnings per share were 0.99p.

DY Davies

DY Davies, the USM-quoted architect, moved nearer to the black in the year to April 30. Pre-tax losses of £56,000 compared with a deficit last time of £793,000.

Turnover of £5.55m (£7.63m) included £5.05m (£4.52m) from architecture and allied services. Operating profit rose to £278,000 (£128,000).

Losses per share were cut to 0.9p (11.5p).

Venturi Inv Trust

Venturi Investment Trust's net assets stood at £9m at the end of the six months to September 30, a fall of 2.5 per cent, compared with a 1.9 per cent decline in the FT-SE 100 Index. The undiluted net asset value per ordinary geared share was 4.2 per cent down at 27.47p.

Earnings per income share were 1.62p (1.84p). An interim dividend of 1.66p (1.56p).

Trace Computers

Trace Computers, the software specialist which has been restructuring its activities, doubled pre-tax profits from £211,000 to £410,000 for the year to May 31.

Turnover edged up to £18.6m (£18m).

Mr Robert Carefull, chairman, said profits were still well below expectations. However, there was an encouraging resurgence in activity, he said, mainly because of the impact of the group's new products.

Earnings per share jumped to 2.33p (1.1p) and a final dividend of 0.95p is proposed for a 1.5p (1.45p) total.

Govett Oriental

Net asset value at Govett Oriental Investment Trust was 437.2p per share at September 30, up from 397.6p at the trust's March year end and 341p at end-September last year.

Attributable revenue amounted to £2.7m (£1.81m) for earnings of 1.5p (1p) per share. To utilise tax credits on UK franked investment income, a "conventional" and unchanged interim dividend of 0.4p is declared – last year's final distribution was paid as a foreign income dividend.

Exploration/El Oro

The Exploration Company, which despite its title operates as an investment dealing company, lifted first half profits to £1.04m pre-tax, against £827,000.

The outcome, for the six months to June 30, reflected sharply higher profits from investments. This offset lower returns from associates, dividends, rents and interest.

Earnings per stock unit improved from 4.89p to 6.09p.

The associated El Oro Mining & Exploration – also an investment dealing company – reported pre-tax profits of £766,000 (£751,000) for the same period, giving earnings of 12.06p (11.73p) per share.

Contra-Cyclical

Contra-Cyclical Investment Trust saw a fall in net profits for the six months to September 30 from £508,000 to £311,000.

Net asset value per capital share dropped to 49.6p (52.4p).

Earnings per income share fell from 6.35p to 3.88p. The interim dividend is 3.25p.

FINANCIAL TIMES SURVEY

MOROCCO

Thursday October 27 1994

The light shines more brightly

David White and Francis Ghiles assess the country's economic performance and its prospects for political change

It is probably fair to say that Morocco has never been seen by the world in general in a more favourable light in all its long and proud history than now.

Contrast helps, of course. Compared with the brutal civil violence and near-anarchy of neighbouring Algeria, Morocco stands out for its stability, cohesion, economic growth and relative liberalism.

This was not always so. Twenty years ago, the longevity of its monarchical system was open to doubt after two attempts on King Hassan II's life. Ten years ago, it was in deep financial trouble, leaning on the International Monetary Fund to steer it through a gradual adjustment process.

The king, 33 years on the throne, has proved a shrewd if stern helmsman – and also a statesman, through the role he has played over the years, mostly behind the scenes, in promoting Arab-Israeli conciliation. It is an implicit recognition of this role that the international conference on economic development following the Israeli-Palestinian peace agreements is being staged in Casablanca, starting this Sunday.

As for the economy, annual growth has averaged 4 per cent over the past decade. This year, with abundant rain producing a bumper cereal crop, growth is expected to reach 10 or 11 per cent, after stagnating in 1993 in the second successive year of drought. Inflation is holding at around 5 per cent.

Morocco has come through its debt restructuring, and although debt servicing takes up 30 per cent of the annual budget, the public sector deficit has fallen from 12 per cent of gross domestic product in the early 1980s to 2 per cent last year. This year the figure is expected to rise slightly to 2.5 per cent.

Starting last year, Morocco embarked on privatisation of a scope comparable only with that of some Latin American countries. Reservations about losing the state's grip on public utilities and strategic sectors are progressively being overcome. The long-dormant stock market in Casablanca can today claim to be the biggest, in terms of capitalisation, in the African continent outside South Africa. Foreign investment is expected to reach a record level this year.

Government planners say the country can count on average growth of 4.5 per cent over the next few years. But for Mr Omar Kabbaj, a former IMF official who in the present interim government of non-party technocrats holds the wonderful title of "minister in charge of stimulation of the economy", that is not enough. The country needs to step up a gear to keep pace with the demand for jobs.

Mr Kabbaj has set an ambitious objective of 6.5-7 per cent a year, including in that target a 15 per cent annual increase in exports of finished products. These expectations rely heavily on the private sector, although Morocco has few private sector companies of any size by international standards.

Around the beginning of this year, Morocco's population of at least 27m is reckoned to have passed the threshold of being more than 50 per cent urban, the result of a secular process of migration from the Saharan regions to the rich Atlantic plains and from the countryside to the cities.

Urban unemployment now stands at around 16 per cent. In the farming areas the rate is sometimes more, sometimes less, depending on the vagaries of the climate. Population growth, although it has slowed, is running at 2 per cent annually. There are expected to be a quarter of a million new arrivals on the job market each year.

Though subject to periodic manifestations of discontent, Morocco has been shielded from the kind of radical Islamic movement that has torn Algeria apart and affected other countries in the region. Moroccan officials are ever-anxious to underline the country's "specificity" in this respect. Essential to this "specificity" are the religious credentials of the king himself as a descendant of the Prophet Mohammed.

As a symbol of this role as "Commander of the Believers" stands the extraordinary new Hassan II mosque, dominating the Casablanca waterfront, a lavish enterprise which took 10,000 craftsmen six years to build, constructed on piles over the water, including a men's prayer area with room for 20,000 and underfloor heating, and a sliding roof weighing 1,100 tonnes. Criticism over its extravagance has subsided; most people seem proud of having it.

Privately, however, senior Moroccan officials admit deep concern about the implications of developments in Algeria. Neither the emergence of a fundamentalist state in Algeria, nor the disintegration of Algeria as a nation, could avoid having a profound impact on Morocco.

With its powerful interior ministry, Morocco keeps its own fundamentalist groups under fairly heavy-handed control. Mr Abdessalam Yassine, leader of Justice and Charity, the chief radical Islamic organisation, is under house arrest, and no party would be allowed to contest elections under an Islamic banner. Religious causes are mostly represented on the political scene by Istiqlal, the old national independence party.

Moroccan sensitivity was shown up by the eruption of tensions between the two countries in August after a shooting incident in Marrakesh in which two Spanish tourists died. Rabat hastily imposed visa requirements on anyone of Algerian nationality or origin. Algiers responded by closing the border. The favoured theory in official Moroccan circles is that Algeria's secret service was behind the attack.

The Algerian press has accused Morocco of turning a blind eye to weapons crossing into Algeria, destined for armed Islamic groups crossing the border. Many Algerians feel deep resentment towards Morocco, suspecting it of playing a game to win the consent of a future Algerian Islamic government to Rabat's sovereignty over the former Spanish Sahara.

Senior officials say Morocco needs to strengthen its "antibodies against contagion" from Algeria. These defences are twofold. One is economic growth and wider participation in the country's wealth. The other is liberalisation of its politics. The system that the king, now 65, will hand over to his heir, Crown Prince Sidi Mohammed, will be considerably less undemocratic than it was a few years ago.

All the strings of authority continue to be controlled, ultimately, by the royal palace. But parliament – comprising a recondite collection of parties – has had its powers strengthened. It can send back budgets, question ministers and bring up issues such as human rights.

More than 400 political prisoners were amnestied in July. Foreign experts say there remain about 50 political detainees, mostly fundamentalists. Newspapers these days sometimes show surprising freedom – the weekly L'Economiste being an example of a new era in the Moroccan press.

Following a recent policy turnaround, the three Berber languages may now be taught in state schools alongside Arabic, something Berber cultural associations had long struggled for. Women's rights, although more restricted than in Tunisia, have improved.

Opening parliament this month, the king repeated an offer made twice before to left-wing and nationalist opposition parties, which were strengthened in elections last year, to give them most of the cabinet posts and negotiate alliances to form a parliamentary majority. The parties had previously refused the conditions. This time the king, seeking "alternation" in government, added the offer of the premiership, held since May by Mr Abdellatif Filali, a veteran diplomat. A new government could emerge by the end of the year.

Whatever its shape, the government can be expected to press ahead with efforts to liberalise and modernise the economy. But real political change is likely to come at a slower pace.

A view of Casablanca harbour. An international conference following the Israeli-Palestinian peace agreements begins in the city on Sunday Glyn Genin

IN THIS SURVEY

Trade and transfers in first eight months in millions of dirhams ($1=approx Dh8.9)

Jan-Aug 1993	Imports 40,484	Exports 21,108	Trade deficit 19,375	Transfers from Moroccans living abroad 12,081	Tourist receipts 7,476
Jan-Aug 1994	Imports 44,444	Exports 23,361	Trade deficit 21,083	Transfers from Moroccans living abroad 11,313	Tourist receipts 7,406
	Change .....+9.8%	Change ...+10.7%	Change .... +8.8%	Change .... -6.4%	Change .... -0.9%

Source: Finance Ministry

David White looks at relations with the European Union

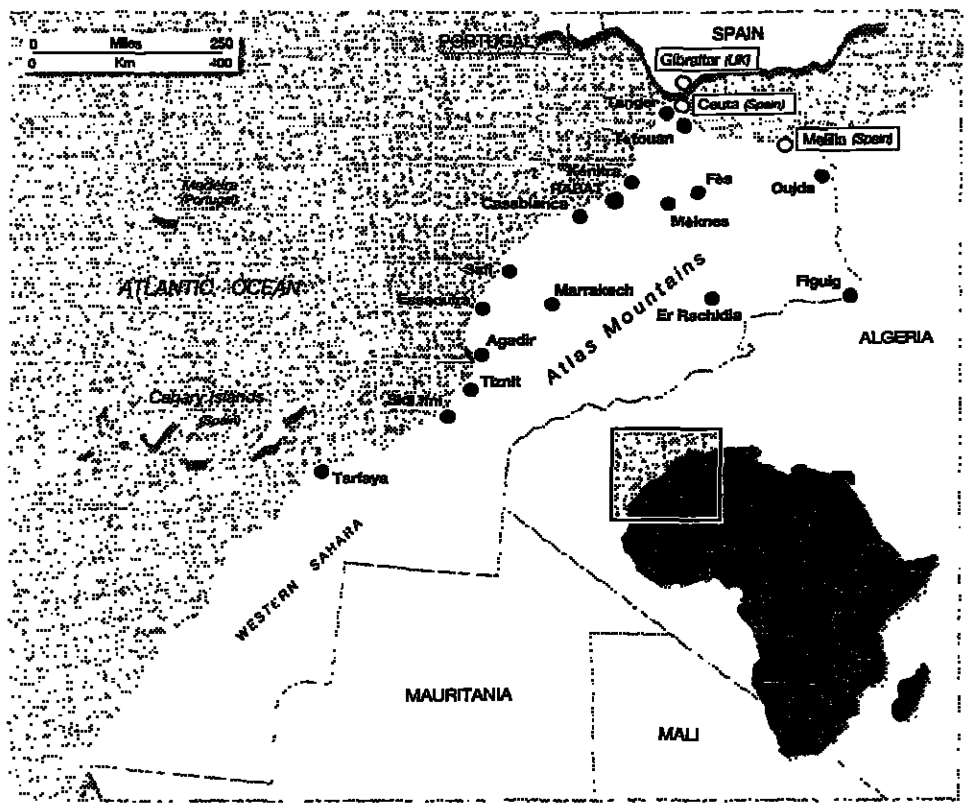
There's a grinding of teeth in Rabat

The lack of progress in negotiations for a new and closer relationship with the European Union has become Morocco's greatest frustration. There is an almost audible grinding of teeth in the government offices of Rabat when the subject is brought up.

Isolated for long periods of its history, Morocco's economic and social aspirations are firmly fixed on the north, across the 14 kilometres that separate the country from continental Europe.

Most of its merchandise trade is already done with the European Union, which accounted last year for 55 per cent of Morocco's imports and 63 per cent of its exports, with the balance heavily in Europe's favour. In some farm products, as much as 90 per cent of Moroccan exports are dependent on the European market. But for Moroccans, relations with the EU are not just a commercial affair, but also a strong political and emotional issue.

Negotiations have stalled on a new "association" or "partnership" agreement (the title being among the more minor of the questions to be settled). Morocco has had a series of commercial and co-operation agreements with the European community over the past 25 years. In 1987, the year after Spain and Portugal became members, it lodged an application to join, in what officials now describe as "a political signal". The application was turned down, with the community clearly unwilling to extend the geographical definition of the EU to the other shore of the Mediterranean.



In 1992 Morocco launched a fresh initiative, seeking exploratory talks on a new kind of agreement. Talks on detailed proposals began late last year. But Morocco was bitterly disappointed in its expectations. In Brussels, the Moroccans are criticised for a naive approach to complex EU procedures and for failing to mount an effective lobbying campaign.

"We do not understand this slowness," complains a government minister in Rabat. Morocco was to have set the model for other countries in their relations with the EU, but it has been overtaken by both Tunisia and Israel, and Egypt is now catching up.

The frustration steams largely from the priority that the EU has given to the countries of eastern and central Europe which are preparing for future accession. The last enlargement, taking in Spain and Portugal, came as a big blow to Moroccan agriculture. Now the attention paid to central Europe has squeezed financial flows to Mediterranean partners. According to EU officials, per capita grants to central Europe are four times those to Morocco.

The officials concede, however, that there are strong economic and social parallels between the two regions and the problems that arise on the EU's periphery. "What you see on the Strait of Gibraltar and on the German-Polish border is strikingly similar: you have illegal trade, illegal migrants and drug traffic."

The future of the talks with the EU has now become linked to settlement of a fishing dispute. Morocco recently set out to halve a previously-agreed level of catches from its waters, claiming they had been overfished. Fishing is essentially a bilateral issue between Morocco and Spain, the country in the front line of Morocco's dealings with Europe. The relationship between the two is *dynamic – especially in trade* and investment – but also troublesome.

The latest round of Euro-argument coincided with fresh stirrings by the Moroccan authorities over the Spanish enclaves on Morocco's northern shore, Ceuta and Melilla. Morocco is upset by Madrid's unwillingness to set up talks on the future of the territories, which have been in Spanish hands for more than 400 years, and especially by plans to give the two enclaves new statutes conferring a limited degree of self-rule.

Agricultural problems also have to do primarily with competition with Spain. Morocco's difficulties have increased as a result of the Gatt agreement signed in Marrakesh in April. Moroccan producers of tomatoes, for instance, had invested heavily to supply the European market before minimum reference prices come into force in the spring. But under Gatt terms, the price mechanisms may be applied year-round, mainly to the benefit of the Moroccans' Spanish competitors.

The issue is a vital one for Morocco, where 500,000 people are employed in the farm export sector, with up to 3m dependent on it for their livelihood. Moroccan negotiators now have the task of trying to reconcile the Gatt conditions with the country's present agreement with the EU.

Instead of improved access, say officials in Rabat, Morocco now has to fight to safeguard what it already has.

If the two issues of fishing and sensitive farm exports are *resolved, the officials say,* "we can go ahead on a partnership, but it will fall far short of what we thought in 1992." Ministers have spoken of a "crisis of confidence" between Rabat and Brussels.

However, it is foreseeable that under a revised negotiating mandate the EU may give ground on some of Morocco's requests, possibly including in the proposed agreement a provision for balance-of-payments support.

Moroccan officials see both France and Spain as "objective political allies" aware of the strategic and economic importance of developments in North Africa for the EU itself. "But we find them in our way when it comes to sectorial or regional interests."

According to a EU official, "our current difficulty with Morocco is that because of the economic recession in Europe we are pressed to take into account our short-term interests, which are often in contradiction with our long-term political and economic interests."

Last week the European Commission called on the EU to create a Euro-Mediterranean Economic Area with its North African and Middle East neighbours, thus establishing the world's biggest free trade area.

As Mr Abdellatif Filali, the prime minister and foreign minister, said at a recent journalists' lunch: "The Mediterranean is a lake. Morocco is not the other end of the world."

KEY FACTS

Area ..... 710,850 sq km	Population 26.1m
Head of state	King Hassan II
Currency	Moroccan dirham
Average exchange rate	1992 $1=Dh8.538
	1993 $1=Dh9.299
	1994 $1=Dh9.477

THE ECONOMY	1992	1993
Total GDP ($bn)	28.8	27.5
Real GDP growth (%)	-2.3	-1.0
Components of GDP (%)		
Private consumption	65.0	n/a
Total investment	23.8	n/a
Government consumption	16.2	n/a
Exports	22.8	n/a
Imports	-27.7	n/a
Annual average % growth in		
Consumer prices (%)	5.8	5.2
Wholesale prices (%)	2.8	4.5
Ind. production (%)	1.9	-1.5
Mining production (%)	-12.2	1.6
Energy production (%)	-3.7	9.3
Total external debt ($bn)	21.4	n/a
Reserves minus gold ($m)	3,584	3,655
Trade		
Current account balance ($m)	-427	-352
Merchandise exports ($m)	3,956	3,682
Merchandise imports ($m)	-6,692	-6,062
Trade balance ($m)	-2,736	-2,380
Main trading partners (%) (1)	Exports	Imports
European Union	63.9	62.8
France	31.5	27.9
Germany	9.2	8.9
Italy	5.9	7.1
Spain	7.4	9.1
UK	3.4	2.9
Japan	3.9	1.4
US	3.1	6.4
Middle East	5.3	2.4

(1) Percentage shares of trade in 1992. *Sources: IMF, EIU*

■ PRIVATISATION

The big sales are just beginning

Mr Abderrahman Saaidi, Morocco's privatisation minister, insists: "We are not selling the *furniture." But the country's* plans for selling state holdings are unparalleled in their size and scope anywhere in Africa or the Middle East.

A law allowing the sale of state interests in certain specified sectors was first passed in 1989. The earlier policy of Moroccanisation, abandoned in the late 1980s, was being thrown into reverse. But the programme began cautiously, circumscribed by evident political reservations. Activities such as the phosphate industry, public utilities, oil refining and the national flag-carrier Royal Air Maroc were at that stage clearly excluded.

Privatisation did not get under way until 1993 with the sale of the government's stake in a yeast producer to French and Moroccan interests. The first major operation was the takeover of majority control of the biggest cement company, Cior, by Holderbank of Switzerland.

To date, state shareholdings in 24 enterprises have been sold, bringing in revenues of some Dh3.5bn. By the end of next year, the whole of the initial list of 112 privatisable interests – 37 hotels and 75 companies – is due to have been transferred to the private sector, with proceeds expected to reach Dh17bn, or almost $2bn.

These are out of a total of some 800 state companies, in part dating from French policies during the protectorate of 1912-1956, and accounting for about a fifth of the country's gross domestic product.

A variety of formulas has been devised for the new balance of ownership, between foreign companies, Moroccan-based interests, employees and the stock market. In the sale of the CTM-LN bus company, a slice was reserved for Moroccans living abroad.

In the distribution of petroleum products, the state has already sold all its holdings, with Shell and Mobil buying back the government's 50 per cent stake.

All the operations so far have been counted as successes, with stock market offerings heavily oversubscribed. The government is expected to have little difficulty with the remainder of its list, except perhaps in finding buyers for textile factories which have recently been starved of orders.

Eleven state holdings are currently on the market. Mr Saaidi, who recently went to London, Birmingham and Glasgow to present his plans and glean the benefits of the UK's experience in privatisation, says the big sales are just beginning.

The biggest is the state's majority stake in Société Nationale d'Investissement, a conglomerate which was used as a vehicle for Moroccanisation in the 1970s and which embraces 41 companies ranging from beer to banking and from consumer credit to chemicals. Mr Saaidi, a tax accountant by profession, says it would have taken too long to sell each interest individually.

The government will place a further 16 per cent of the group on the stock market, where it is already traded, and is offering the remainder of its 67 per cent holding to a consortium, setting a floor price for the 51 per cent stake of Dh1.275bn ($143m).

A more ambitious phase is in preparation, opening up areas that were out-of-bounds, including public utilities

The buyers will be committed to putting part of that stake on the market within three years, with the idea that they will have this time to make alliances to establish majority control. The intended result of this complex set of conditions is that between 43 and 48 per cent of the shares will be traded on the Casablanca stock exchange, with the current private sector partners holding 17 per cent and new partners 35 to 40 per cent.

The new core shareholders must be companies domiciled in Morocco and must hold 35 per cent of the group for at least five years. Within that period, they will be allowed to restructure holdings, but not sell more than 15 per cent of book value of the portfolio each year, and must then reinvest at least 80 per cent of the proceeds in other non-real estate holdings.

Also being sold, as one lot, are majority stakes in three sugar companies. Sugar producers' co-operatives are given the first option but may be unable to muster the funds. Still to be sold in the net few months are stakes of 35 to 99 per cent in Banque Marocaine du Commerce Extérieur, the Sonasid steel products company, newspaper distributor Sochepresse, gas storage company Somas, and Simef, a maker of diesel and electric motors.

Meanwhile, a more ambitious phase is in preparation, opening up areas that were specifically ruled as being out-of-bounds in the initial plans, including public utilities with multi-billion-dollar investment needs which Morocco is in no position to cover without increasing its debt burden.

Technocratic ministers such as Mr Saaidi argue that there are no longer any taboos about what can or cannot be sold. "We have no complexes any more," he says. "Political and public opinion is ready to accept a widening of the scope of privatisation."

These plans include privatising the state telecommunications authority, with a four-year $2bn programme to finance, and introducing competition in mobile telephone services.

The state will also subcontract part of its electricity generating needs, almost certainly to foreign interests, with financing requirements in the industry estimated at some $3bn between public and private sectors. The new entrant will be required to manage two sites and build two more, selling the electricity to the state company which will remain the monopoly distributor. "That does not mean it cannot change in the future," says Mr Saaidi.

Water supply is also a candidate for privatisation, although probably not until later on. And Royal Air Maroc is no longer considered off-limits.

What is expected to remain firmly in state hands is the mining of phosphates through the Office Chérifien des Phosphates, as a strategic export sector. But plans are under discussion for hiving off production of phosphate derivatives to private concerns.

At the same time, the government is exploring other options for bringing in private sector management through contractors and concessions. The message about entrepreneurship has sunk in deep. Even the running of the baths at the sumptuous new Hassan II mosque in Casablanca is being put out to contract.

David White

State to ease telecom links

European and US telecommunications operators are getting set for the contest to break into Morocco, now planning to liberalise the sector to bring it into line with the standards of EU countries, writes David White.

With a $2bn investment programme already under way up to 1997, the government plans to privatise the state telecommunications authority and bring in competition for the first time. But it has not yet decided when or how far liberalisation will go, with some evident differences of view on the issue among members of the government.

Telephone services have expanded rapidly but there remains a large potential for expansion and new services to be exploited.

"We are seriously thinking about how to regulate telecoms," says a senior government official. Services are currently the monopoly of the 100 per cent state-owned Office National des Postes et Télécommunications (ONPT). Plans are being drawn up for turning the state authority into a company that can then be privatised, and at same time foster competition at least in certain services such as mobile telephones.

There are now just 1m telephone subscribers in a country with an active population of 10m. But the network has been growing rapidly, doubling in the last four years. As recently as 1986, Morocco had only a quarter of a million telephone lines and fewer than 500 public telephone booths. By last year the latter had multiplied ninefold. Being of recent vintage, it is an all-digital system.

Installation of automatic services in rural areas has been stepped up, along with the introduction of a public data transmission network and two mobile radio telephone networks. Morocco beat Spain, for instance, in introducing a cellular mobile service to the international GSM standard.

The ONPT has so far self-financed 45-50 per cent of investments, with the rest from loans including support from the World Bank and European Investment Bank. "The authorities realise that without reliable telecommunications the country cannot achieve integration in the world economy," says Mr Abdeslam Ahizoune, posts and telecommunications minister.

In the next four years the ministry plans to double the telephone network to 2m lines, introduce fibre-optic cables, and follow technology developments closely in order to "give companies the same facilities as their competitors in Europe".

After studying other countries' experience in liberalising the sector, Mr Ahizoune says mobile telephones and certain other services will be opened to competition while shares in the state authority will be sold off.

But it is not yet clear what role the government will keep. Parliamentary approval is still needed for the conversion of ONPT. Privatisation could involve a strategic alliance with a foreign company, coupled with a public share offering. Mr Ahizoune says "various models" are being considered and that the changes will be made "as quickly as possible".

INDEX OF FT SURVEYS
July 1992 – July 1994

This index has been compiled for researchers and libraries and those who require a sound briefing on national and international subjects.

A useful cross index of all FT surveys published in the above period, listed in alphabetical order and subject.

To receive your copy, send a cheque for £3.00 made payable to Financial Times to:

Marketing Department, Financial Times
Number One Southwark Bridge,
London SE1 9HL
Tel: +44(0)171 873 3213

David White assesses foreign policy ahead of next week's important conference in Casablanca

King's conciliation efforts pay off

The choice of Casablanca for next week's conference of political and business leaders to discuss economic development following the Israeli-Palestinian peace agreement is an acknowledgement of Morocco's role in trying to promote reconciliation between Jew and Arab.

It has played this role, mostly discreetly, over 20 years or more. Its efforts stem from the strong personal convictions of King Hassan II, whose conciliatory gestures in the past have provoked indignation among more hardline Arab nations, and are rooted in the country's own history of tolerance. Not only has Morocco always had a Jewish community, with Jews now in some influential positions: almost a tenth of Israel's population, some 600,000 people, are of Moroccan Jewish descent.

Initially, the scope of the conference was to have been limited to the Middle East, but Morocco insisted it should be extended to cover North Africa as well. Morocco has taken a forward position in its relations with Israel. Its agreement to exchange liaison officers in Rabat and Tel Aviv, a first step towards full relations, made it only the second country after Egypt to establish formal ties with Israel.

Senior Moroccan advisers warn against the risk of excessive expectations from the conference, whose participants will include heads of multinational corporations. "But it is essential to send an electric jolt to political and private sector decision-makers," they say. "Across the whole region, from Morocco to the Gulf, it will not be the same as it was before."

The host nation is willing to support in principle the idea of a new development institution on the lines of the European Bank for Reconstruction and Development, as proposed by Israel, but only if it is demonstrated that if can play an effective and more than symbolic role, say Moroccan officials.

The conference will look at prospects for region-wide projects, less ambitious international ventures involving groups of nations, and national projects requiring aid. Morocco will bring specific proposals including possible involvement by Moroccan companies in building a Tel Aviv-Amman motorway, hotels in Jericho and agricultural projects in the Nile valley. It will also be seeking assistance for infrastructure plans of its own.

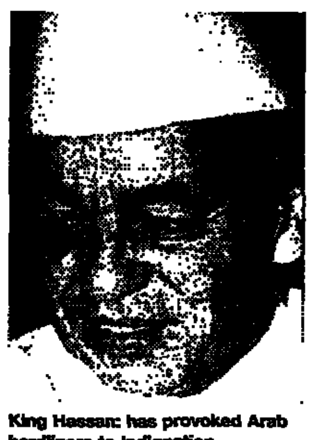
Algiers may have wanted to show that Morocco is not immune to the threat of Islamic extremism

The idea of a vast new frontier-free zone, Moroccan officials warn, "will not come about overnight". The precedent of the Arab Maghreb Union, set up amid much fanfare in 1989 between Morocco, Algeria, Tunisia, Libya and Mauritania, is hardly encouraging. The pact came at a high point in relations between Morocco and Algeria, officially re-established the previous year.

The one significant project that can be said to have come from this co-operation is the $1.4m gas pipeline – on which work was officially inaugurated earlier this month – running from Algeria's Sahara gas field of Hassi R'Mel some 1,100 kilometres through Algeria, Morocco and under the Strait of Gibraltar before reaching the Spanish and Portuguese, and probably at a later stage, French markets.

The Arab Maghreb Union was already considered moribund before Morocco and Algeria locked horns again in the aftermath of a shooting incident in August, in which two Spanish tourists were killed by gunmen in a Marrakesh hotel. Morocco, possibly rashly in retrospect, immediately imposed visa requirements on Algerian citizens or people of Algerian origin. Algeria reacted, not by reciprocating with visa rules, but by closing the border completely, something which some believe it wanted to do anyway to try to stop gun-running.

After initially suspecting Algerian fundamentalist groups of the hotel killings, Moroccan officials now point the finger at the Algerian authorities themselves. They believe Algiers may have wanted to demonstrate that Morocco was not immune to the threat of Islamic extremism and to put a stop to alleged passive assistance to Algerian fundamentalists.



King Hassan: has provoked Arab hardliners to indignation

One of the basic precepts of the UMA treaty was freedom of passage. "When the country in the presidency of the UMA closes its border I do not see how you have a zone of open frontiers," a Rabat government official commented wryly. "The border is easy to close, but difficult to open. Up to 1988 it stayed closed for 12 years."

Relations between the two countries have been strained for most of the time, ever since Algeria won independence from France in 1962. The tension started with border disputes and built up after 1975 when Spain decided to pull out of its Western Sahara territory, with the intention of ceding it to Morocco and Mauritania (the latter subsequently dropping its claim).

Algeria's objection to what it saw as Moroccan expansionism, and its support for the Polisario Front movement fighting for independence in the territory, kept a wedge between the two nations. Morocco walked out of the Organisation of African Unity 10 years ago over its stance on the Sahara.

More than three years after the formal ceasefire with the Polisario, a UN-sponsored referendum deciding between independence or attachment to Morocco is supposed to take place next February. But after many delays already, the date is expected to slip again because of difficulties in drawing up the electoral register in the region, which covers an area more than half as big as the internationally recognised territory of Morocco.

However, there is every indication that King Hassan wants to tie up the Sahara issue rapidly. The general assumption now is that the referendum, when it takes place, is likely to go in Morocco's favour – and that, in any case, Morocco would not let it go ahead unless it was pretty sure it would win. That would put an end to a 20-year quarrel during which the Moroccans, not adept at handling their own propaganda, incurred widespread discredit.

The government's aim is to establish integrated industrial sectors

Denim maker shows way ahead

On a gentle rise overlooking the plain at Settat, south of Casablanca, stands an impeccable new factory producing half the denim needed by Morocco's clothing industry.

The Spanish company Tavex, a leading European producer of denim cloth, built the $50m facility two years ago. The Moroccan branch now accounts for a third of the group's production. By 1996, under current plans, this proportion will have built up to almost half.

With 260 employees, the venture does some direct export business – it has a contract with Wrangler of the US – but is essentially geared to the needs of the local clothing industry, which accounts for one in every four manufacturing jobs in Morocco and depends overwhelmingly on exports of finished products to the European market.

For Mr Driss Jettou, the industry minister, who himself is a businessman with textile interests, the venture illustrates one way in which Morocco can reduce its vulnerability in a highly cost-competitive industry.

"Before, we made jeans, importing the cloth. Now we make the material." The factory, carrying out the whole process of spinning, dyeing, weaving and finishing, is an example of the government's aim of establishing increasingly integrated industrial sectors.

Textiles and clothing, Morocco's biggest industrial sector in value after food and chemicals, is already suffering from competition from south-east Asia and other areas. Morocco currently has a significant advantage in wage costs compared to EU countries – a ratio of as much as one to five – but Mr Jettou says the government is conscious of the risk of counting too much on this differential.

"We want to avoid surprises," he says. "Basing our industrial development on a low price of labour cannot last long. Someone will always come up who can do it more cheaply."

His department is placing emphasis on training at all levels, quality and productivity, on integrating industrial activities, attracting higher-technology industries (with companies such as Alcatel and Thomson already installed) and exploiting Morocco's proximity to the European market to ensure quick reaction and delivery times which Asian producers would find difficult to match.

Morocco's manufacturing sector accounts for about 18.5 per cent of gross domestic product, a proportion that has increased only gradually in recent years. The government has promised more support for the private industrial sector and a reduction in administrative red tape. It is counting on a boost from foreign investment and privatisation of state activities, ranging from machine tools to canneries.

Mr Abdellatif Filali, the liberal-minded prime minister, said soon after his appointment this summer that the government must "let the private sector play its role," recognising that the state "does not have the vision of a modern entrepreneur".

Many employers are nervous, however. Mr Abderrahmane Ouali, secretary-general of the CGEM business federation based in Casablanca, is worried that many Moroccan companies are too small to take on world competition under the conditions of April's Gatt agreement. Three out of four Moroccan manufacturers have fewer than 50 employees.

Mr Ouali says he is counting on the establishment of a sectorial restructuring fund backed by the World Bank, and the availability of more funds for expansion as savings move from property into shares. Family groups are likely to open up increasingly to new shareholders, he says.

The predominance of small companies has its advantages, according to Mr Jettou, insofar as they can adapt rapidly to changing conditions. "But that does not mean we are not seeking the development of companies of European or international dimensions." This implies encouraging companies to regroup.

Industrial investment from abroad has risen sharply this year, Mr Jettou says, reaching some $200m by the end of August, led by France, Spain and Italy. Overall foreign investment in Morocco totalled $800m last year, compared with less than $100m five years ago, and senior government planners say a target of $1bn a year by the year 2000 is "not dreaming".

France, which has kept its place as main investor as well as the main provider of bilateral aid, has tripled its level of investments since 1988. Investments from Spain have multiplied 20-fold in the same period, and are now not far behind those of France.

Among the latest ventures, Indo, a Spanish spectacle and lens maker, is setting up two new plants in the Tangier industrial zone, employing about 100 people.

The government has meanwhile reached agreement with Fiat of Italy on production of a "people's car" in Morocco. In a depressed new car market – distorted by the popularity of second-hand imports – the idea is to produce a car within the reach of the middle-ranking office worker, and at the same time boost the components and spares sector. According to Mr Jettou, it should cost about $6,500 compared with a minimum of about $10,000 for cars currently assembled in Morocco.

The Italian group, already present through the Somaca assembly facility in Casablanca, won the deal against Renault, Peugeot and Citroën, which all currently have cars assembled in Morocco. The project will start next year with the existing Uno model but a new model is planned from 1996. Under the agreement, half the components will be locally made.

But Mr Jettou has no chauvinistic illusions. "It will be an Italian car," he says.

David White

Foreign investment to July (in millions of dirhams)

Direct investment Jan-July 93	1,283
Direct investment Jan-July 94	1,496
Change	+16.6%
Portfolio investment Jan-July 93	136
Portfolio investment Jan-July 94	549
Change	+303.9%
Total Jan-July 93	1,937
Total Jan-July 94	2,288
Change	+18.1%

Source: Finance Ministry

The industry provides 15% of the country's exports, writes **Francis Ghiles**

A fishing line to Europe

Fish accounts for 15 per cent of all Moroccan exports and the industry employs at least 150,000 people. The fishing agreement between Morocco and the European Union is a key part of the kingdom's relations with its northern neighbours, most notably Spain.

Earlier this month the four-year agreement with the EU, which was due to run until 1996, was renegotiated. It will now end in May 1995, to be replaced by an agreement which will run for three years.

For all practicable purposes, it is an agreement with Spain and, to a lesser extent, with Portugal. Indeed, 95 per cent of the 750 foreign fishing vessels which are allowed in Moroccan waters are Spanish. Although those rights to fish have not changed since the first agreement with the EU, after Spain's accession to the EU in 1988, the idea of biological rest, introduced in the 1992 agreement, has reduced the amount of the catch by 20 per cent.

The European Union pays Ecu102m for the right of European vessels to fish in Moroccan waters. To this figure should be added licence fees paid by individual shipowners that are worth Ecu10m-15m every year to the Moroccan exchequer. In exchange, the EU grants Morocco preferential access to its markets. Import duties on Moroccan fish are to decline from 8 per cent in 1993 to 5 per cent in 1996, compared with normal EU duties on foreign fish of 25 per cent.

However, the new Gatt rules will erode such preferential access as they cut import duties overall over a period to 12½ per cent, a situation about which the Moroccans are not happy.

This month's agreement with the EU entails scientific co-operation and allows Moroccan inspectors on foreign vessels. There are to be talks on cuts in the amounts that Morocco will allow European vessels to fish after May 1995 and more co-operation to control and preserve fish stocks.

While the Spanish ships respect the two-month biological rest agreed in 1992, the Moroccans appear not to do so. They argue that any curb on fishing, notably by smaller boats, affects the income of fishermen, particularly in the north (people who work on small boats are usually paid in kind) and the absence of fish, albeit temporarily, pushes up the price of other foods in the markets.

Shrimps and hake are found in the north, but a variety of fish is taken from Moroccan waters. Moroccan vessels tend to fish near the coast, Spanish vessels further out at sea. How much is fished illegally by foreign vessels or sold by Moroccan ships to foreigners on the high seas is impossible to tell. Some observers believe its value runs to $100m.

An estimated 550 foreign boats, mostly small fishing vessels from Andalucia, fish off Morocco's north and north-western shores but by far the most valuable catch is squid, caught further south. An estimated 150 Spanish vessels based in Las Palmas fish off Morocco's Saharan shores.

The fact that Morocco's administration of the Western Sahara is recognised by the EU but not its sovereignty over the former Spanish colony has never been an obstacle. In its agreement with the EU, the southern Moroccan fishing zone is deemed to start between Tan Tan and Sidi Ifni which have always been Moroccan and to extend to Mauritania, thus neatly side-stepping the question of sovereignty.

Squid is also important for the Moroccan fishing fleet which boasts 450 high sea vessels, 300 of which are in activity, and 2,500 smaller coastal boats. The larger vessels fish an estimated 150,000 tons a year, 80 per cent of which is squid worth an estimated Dh2.7bn; the smaller boats take 450,000 tons, worth about Dh1.3bn.

Of the 600,000 tons of fish and squid drawn from the sea every year by Moroccan boats, one quarter is exported, bringing in an estimated Dh4bn; one fifth, mostly sardines of which Morocco is the largest world exporter, is canned and sold abroad, one quarter is consumed locally and the remainder – mostly fish of mediocre quality or not kept in good condition because small fishing boats lack basic equipment, notably refrigeration – is turned into byproducts.

A big effort is under way in Morocco to modernise the fishing fleet and improve equipment at the main ports: Safi, Agadir, Tan Tan and Larache.

Morocco's fishing grounds are exceptionally rich. The potential catch off the country's shores is 1m to 1.5m tons a year, it is estimated.

In 1963 Morocco extended its territorial waters and since 1981 it has claimed an exclusive fishing zone. However, today the industry is in crisis. The infrastructure of the ports has not been completed by the stated time, thus forcing fleet owners to invest instead of the state; the buying of boats has at times been rather speculative rather than rational and credits are becoming harder to extract from Moroccan banks. Spare parts are expensive.

Another factor which has affected the profitability of fishing in the area is that the price of squid – dictated by its largest market, Japan – has declined in recent years. Costs will also rise because Morocco will have to conform to European quality standards which come into force next January.

David White finds that an old-fashioned clubbable place has been transformed in two years

Africa's second biggest stock market

The sleepy Casablanca stock market, accustomed to being an old-fashioned, clubbable place where nothing much went on, has come to life.

New share issues, privatisation, the arrival of foreign investment funds and radical reform of the bourse's organisation have transformed it in less than two years.

According to Mr Adil Douiri, co-founder of Casablanca Finance Group (CFG), an investment bank set up in 1992 and still the only institution of its kind in Morocco, the Casablanca bourse has now established itself as the chief stock market on the African continent outside South Africa, with a market capitalisation of some $5bn.

The reform, approved in September 1993 and still in the process of being implemented, is based on the current French system.

Like the French Société des Bourses Françaises, which is providing advice, it involves converting the market into a limited company in which the stockbrokers are shareholders.

Among its aims are better company information, more protection for investors and a broader range of financial instruments. It brings in a new supervisory body, the obscurely-named Conseil Déontologique des Valeurs Mobilières.

Up to now, Moroccan businesses have relied on the banking system rather than the share and bond markets to provide funds. Up to 1991, most of the activity on the bourse was in government bonds. Since then, however, equities have taken over and now account for 95 per cent of trading.

CFG 25-share index End-year change over previous 12 months	
1988	+29.15%
1989	+26.50%
1990	+39.45%
1991	+29.84%
1992	+ 2.35%
1993	+25.65%

Interest picked up last year with a series of share offerings – something not seen in Casablanca for a long time. The starting point was an offering of shares in the family-held Wafabank in December 1992.

Foreign interest awakened in the form of US and UK-based portfolio managers specialising in emerging markets. These funds continue to dominate foreign investment in the market, with little showing from continental Europe. Their increasing involvement in the Casablanca market reflects an improved perception generally of the Moroccan economy, now that the IMF-led adjustment of the 1980s is completed and the country has resumed repaying its debts after a series of rescheduling agreements.

In the past 12 months, some $200m of foreign money has come onto the market, according to Mr Douiri, about 40 per cent of total volume. He expects the foreign inflow to reach $500m next year.

Trading volume increased 362 per cent last year to Dh2.44bn by CFG's calculation (the figure differs from the turnover total published by the bourse, which includes the separate figures for purchases and sales). Volume this year is already well past 1993's full-year total. Market capitalisation, again using CFG's calculation, showed an increase of 44 per cent to Dh32.9bn at the end of the year, three times the level of 1990. (This figure reflects the value of the whole capital of quoted companies, whereas the bourse uses a smaller figure based on shareholdings placed on the market.) Prices last year rose by 26 per cent, and had already exceeded that rate of increase by mid-October this year.

Casablanca stock market (figures in millions of dirhams)	1989	1990	1991	1992	1993
Turnover (purchases and sales)	672	1,806	1,156	1,052	4,870
Capitalisation of shares traded	5,043	7,768	12,449	16,975	25,993
General index	122.65	158.68	161.09	201.88	256.07
Number of quoted companies	71	69	66	68	65

Source: Bourse des Valeurs de Casablanca

The boost in activity has been greatly helped by share placements made by the state as part of privatisation deals, starting with the CTM transport company in June last year and following by the Cior cement concern. Both were heavily oversubscribed.

In addition, there have been private sector capital increases – notably by Omnium Nord Africain (ONA), the country's largest company. Its Dh1.5bn issue of common stock in May this year was the biggest operation ever made on the bourse by an industrial group. ONA is a wide-ranging conglomerate based largely on agribusiness but with interests ranging from a television channel to car sales. The king has an 18 per cent stake. (It is somehow typical of Morocco that an uninformed outsider could read the whole of the 100-page prospectus without becoming aware of this.)

Another issue is awaited from General Tire of Morocco, half-controlled by Germany's Continental group.

More shares will come onto the market in the next few weeks and months as the government completes its initial list of privatisations. This will include 16 per cent of the shares of the holding company Société Nationale d'Investissement, which was the best-performing stock on the market last year, with a 171 per cent price increase.

The sell-offs have also played a role in increasing public awareness about the market through full-page press advertisements, and in bringing in new investors. Stockbrokers believe the market can absorb all the privatisation issues as long as Moroccan residents continue to be debarred from investing in capital markets abroad.

There is also hope that the stock market reforms could lead Moroccan emigrants – there are some 800,000 in France alone – to channel a large part of their money transfers into industrial investments instead of into real estate.

The first significant involvement of Moroccan households as investors, in a market overwhelmingly dominated up to now by institutions, is expected to come with the launching of the mutual funds in the next two months. These will be open to foreign investors but are geared mainly to tapping domestic savings.

Mr Douiri says mutual funds could bring in $300m, as a "conservative" estimate, in the first year.

■ THE JEWISH COMMUNITY

Protection by the king

King Hassan's role as a bridge-builder in the Arab-Israel conflict is one which, for one generation, deeply angered many of his Arab peers and often puzzled western observers.

Ten years ago the Moroccan Jewish community hosted a conference on Maimonides, the 12th century Jewish scholar who wrote his famous Guide to the Perplexed in Arabic. It was the first such Jewish conference in an Arab country for decades and Jews came from around the world, including Israel. Some Labour and Likud members of parliament who had been born in the kingdom attended, and a banquet to welcome the delegates was hosted by Sidi Mohammed, the Moroccan crown prince.

While re-asserting support for the Palestinian cause, the king reiterated his country's long-standing policy of protecting its Jewish citizens and offered to mediate on talks between Israel, Arab nations and the Palestinians. Syria promptly withdrew its ambassador to Morocco but the event was a gesture to the Jewish community, a demonstration that Jews and Arabs could sit down and talk to each other.

In the context of the Arab world the conference undercut hardline Arab states such as Syria and Algeria and bolstered the moderate camp led by Egypt, which in 1978 had signed the Camp David agreement, recognising Israel.

Those familiar with Jewish history in Morocco were less surprised by the move, though still impressed. Most of Morocco's Jewish community – which has declined from 300,000 40 years ago to 5,000 today – descend from families which fled the Spanish inquisition after the Christian reconquest of Granada in southern Spain in 1492.

They are regarded as "dhimmi", *ie* protected persons but first and foremost as tribute bearers. Christians laboured under the same status at the time in all Muslim states.

The Koran clearly states that non-Muslims are to be humbled. In the imperial cities of Morocco this injunction was respected for many centuries. The sumptuary laws were generally enforced. In addition to distinguishing garments and restrictions on mounts, Jews had to walk barefoot in some towns, in others only when passing in front of mosques. They were often forced to do odious tasks as corvée labourers.

In the 16th century Leo Africanus, the travel writer, bears ample witness to the contempt in which Jews in the cities were generally held. It would be wrong, however, to conclude that they suffered more than the Christians and much more than the rest of the population – most ordinary citizens were frequent victims of pillage and rapine.

However, as elsewhere in north Africa, there is no obsession with the Jews comparable to that found in medieval European literature, nor has there ever been the persecution seen in Europe in modern times. Most traditional Moroccan stereotypes of Jews may have been negative, but they were also peripheral.

The *mellahs*, or Jewish ghettos, were usually built next to royal palaces to make them easier to protect and the sultans frequently turned to the Jewish community to help raise funds for projects or to negotiate treaties with foreign powers. This role as "tujjar al sultan" was a corollary of the knowledge of foreign languages that many Jews had and their network of relations in the wider world. Such links were of particular importance in a country which for centuries turned its back on the Holy See and forced the ambassadors of foreign powers to reside in the port of Tangiers, on the strait of Gibraltar, summoning them to the courts in Fez or Marrakesh only when their presence was required.

King Mohammed V, father of the present monarch, refused to give the Vichy authorities a census list of Jews during the second world war. He ensured that in those difficult years his Jewish subjects did not go unprotected. After independence, for a brief while the government boasted a Jewish minister. That is true again today, since the appointment nearly two years ago of Mr Serge Berdujo, who heads the Jewish community in Morocco, as minister of tourism.

Other Jews play an important role, none more so that Mr Andre Azoulay, whose career includes co-founding the newspaper Maroc Information after independence in 1956 (it was closed by the authorities three years later), and a long spell in a senior position at Banque Paribas in Paris.

He was the founder of "Identity and Dialogue", a group of intellectuals which did much in the 1970s to bring together Jews of Moroccan origin who had emigrated to France, Canada and Israel, thus initiating better understanding of the 2,000-year history of the Moroccan Jewish community.

Since 1991 Mr Azoulay has been King Hassan's adviser for economic and financial affairs. Born in Essaouira, the port town from which the family of Lord Hore-Belisha, the British politician, originated, Mr Azoulay has acted as the king's "sherpa" for the conference which, later this month, will bring together Mr Itzhak Rabin, the Israeli prime minister; Mr Yasser Arafat, head of the Palestinian authority and hundreds of western and Arab businessmen.

From "tujjar al sultan" to "sherpa", the connection is quite obvious, as trade links are publicly established between Israel and Morocco instead of the discreet bonds that have existed for many years.

The extraordinary diversity of Jewish life that existed in Morocco for centuries, with Jewish communities differing among themselves even more than the Muslims, may never return. The spectrum ranged from the citizens of a coastal town who benefited from the protection of a foreign power to Berber-speaking Jewish cobblers settled in the midst of a dissident Berber tribe, from the prestigious descendants of refugees from Spain to inhabitants of *mellahs* in remote towns of the Berber heartland of Morocco in which chieftancies were elective.

Important Israeli businessmen, such as Mr Amiran Sivan, president of Bank Hapoalim; Mr Eytan Chichinski, president of Koor, Israel's leading industrial group; Mr Michael Freedman, president of the Dan hotel chain and Mr Itzhak Lendsmann, president of Tnuva, one of Israel's largest dairy producers, have started to pay visits to Morocco to discuss trade and investment opportunities. Mr Raphael Edery, the vice-president of the Knesset and Labour MP, is another recently visitor.

The Omnium Nord Africain, Morocco's largest private group which is run by Mr Fouad Filali, the king's son-in-law and son of the prime minister, has set up Salam 2000 with the Spanish Banesto Bank, Koor and the *Palestinian national fund*. The group has a capital of US$60m and aims to invest in the Palestinian homeland.

Israeli irrigation specialists are already working in southern Morocco and 10,000 Israelis of Moroccan origin visit the kingdom every year. Direct air links are expected to follow soon.

Whatever the future holds, the 10 years since Mr Rabin came secretly to Morocco to visit the king and the conference now being held in Casablanca have added an extraordinary dimension to nearly 2,000 years of relations *between Jews and the Moroccan* people.

Francis Ghiles

■ AGRICULTURE

Gatt deal could hit exports

The Gatt agreement signed last April in the southern Moroccan city of Marrakesh could, paradoxically, cost the kingdom as much as $700m in lost exports.

Exports of farm products, notably citrus, tomatoes, potatoes and cut flowers would be hit. A confidential report drafted last January by the Moroccan ministry of agriculture puts export losses in the farm sector at Dh500m, a figure which was confirmed a month ago by a paper on "the Uruguay Round and its effects on North Africa", presented at the annual conference of the French Association of Economic Science in Paris.

The reason for this state of affairs can be traced to the strategy adopted by Morocco in the run-up to the Gatt agreement. The kingdom's farm produce has, since the first agreement signed with the European Union in 1967, enjoyed preferential access to European markets. Lower European import duties are charged on a range of produce exported by Morocco than on similar produce imported from countries which have not signed a partnership agreement with the EU.

Preferential access was confirmed in the 1980s and was seen as a form of compensation for the trade diversion which Morocco was bound to suffer because of the access of Spain and Portugal to the EU in 1986. Spain's accession, in particular, gave such produce as citrus and tomatoes from the Iberian Peninsula much easier access to the markets of northern Europe. The EU granted Morocco quotas to help it overcome this.

The new Gatt agreement, by changing the pattern of European protection, technically forced the EU and Morocco to renegotiate their previous agreement. Morocco's strategy during the Uruguay Round was to avoid including multilateral concessions on Mediter*ranean fruit and vegetables in* the broader discussion in order to prevent the preferential access its products enjoyed in the European Union being granted to all parties. This would have encouraged new competitors to try their hands in EU markets.

There was always a risk, however, that Morocco's strategy would backfire if only because of the reluctance of the European Union to include Mediterranean produce in the free trade agreement which it was then in the process of negotiating with the kingdom.

The Commission was under *heavy pressure from Spanish*, Dutch and Belgian exporters of tomatoes, cut flowers and citrus fruit to use the Gatt negotiation as a means of curtailing Moroccan access to EU markets, to the detriment, in Moroccan eyes, of European consumers. Indeed, such Moroccan produce is of higher quality and somewhat cheaper than its Dutch, Belgian and Spanish equivalents. Reducing Morocco's capacity to export and earn foreign income also rebounds on those European companies which export to the kingdom. Morocco simply has fewer means to pay for new machinery and other goods, most of which it buys in Europe.

The dilemma that Moroccan policy planners face today is all the more acute because the country's farming sector is at a crossroads. The uncertainty created by recent events could have serious consequences, in particular that of holding back investment both by Moroccan nationals and by the many European companies which have set up joint ventures in the farming sectors in recent years.

The preferential treatment that Morocco's farm exports have enjoyed will be eroded

A steady flow of investment, whose aim is to improve both the quantity and quality of what is produced, transported and marketed, is crucial if Morocco wishes to maintain the competitive edge many of its producers have gained in recent years.

These producers are mindful of repeating the mistake they made a decade ago when they did little to improve quality in the citrus sector while Moroccan exports were rising at a comfortable 5 per cent a year. Their complacency was rudely shaken when they realised, too late, that ahead of joining the European Union, Spanish producers had massively extended fruit groves, replanted many trees and, in the process, virtually doubled their country's *production capacity*.

Moroccan exports of citrus, potatoes, tomatoes and cut flowers have been buoyant in recent years. Exports of tomatoes increased from 80,000 to 138,000 tonnes in the five years to 1993 and those of cut flowers from 1,1000 to 3,000 tonnes between 1988-89 and 1992-93. Overall, this sector employs an estimated 300,000 people and 1.5m Moroccans depend on it for their livelihoods.

The potential adjustment costs if no agreement is brokered between Morocco and the EU would be considerable, quite apart from lost exports. Writing down capital would be expensive and technical knowhow would be lost. The social consequences in a country with severe unemployment would be heavy.

A recent World Bank report on "agro-industrial development – constraints and opportunities" estimates this sector's contribution to GDP at 5 per cent, its contribution to industrial GDP at 25-30 per cent and to exports at 16-20 per cent. The value added of such exports has grown at 8-14 per cent annually in recent years. "The estimates are likely to understate the contribution of agro-processing," the report notes.

The options for Morocco are twofold. Either the EU can find a way of maintaining some of the preferential treatment it has afforded to such imports or the Moroccans will have to make, in the words of one expert, "a huge reconversion towards processed products which, though they enjoy less value-added than fresh fruit and vegetable exports, are less politically sensitive in the European Union."

More broadly, were Morocco to aim for self-sufficiency in cereals, edible oils and sugar, where domestic production respectively meets 40-70, 30-35 and 70 per cent of domestic needs today, such a policy would come at a very high cost to consumers and the country's natural resource base, *notably water. Indeed, periodic* drought puts a premium on the use of water, which, according to the World Bank, is today only charged Dh1 a cubic metre, a price which represents 16 per cent of *recovery* costs.

To date, the European Union has used its financial muscle essentially to extend aid to Morocco rather than to allow free trade. This "aid rather than trade" policy, which is part of the logic of the Common Agricultural Policy, has the perverse effect of doing little to ensure long-term stability in a key southern partner of Europe.

No-one in Morocco disputes that the kingdom itself must put its house in order. The same World Bank report points out that "despite significant efforts by several government agencies to ensure quality, these efforts are unco-ordinated and, at times, incoherent." Credit to agriculture is another constraint. Short-term loans are available.

However, the report says, "scarce long-term finance is rationed among enterprises via high collateral requirements and loan guarantees. This policy militates against newer and less-established enterprises. Even for those with access to formal credit, they have to finance long-term investment with short-term loans, which increases their financial vulnerability." The banks, as in other sectors of the economy, seldom seem to act as promoters of economic activity.

In the past decade, Morocco has switched from an inward-oriented and regulated approach of its economy to an outward-looking policy which relies on market mechanisms. New technology, marketing structures and consumer preferences worldwide, however, are forcing the pace of change.

Morocco's food processing industry is still in its infancy. The full integration of Spain and Portugal into the European Union the year after next will inevitably erode some of the preferential treatment its farm exports have enjoyed.

As farming and food processing provide the livelihood of half the kingdom's 26m people, its well-being is a key to future *social and political stability*. In the eyes of Moroccans who have a stake in these matters, the sooner the uncertainty in its relations with the European Union ends, the better.

Francis Ghiles

Francis Ghiles looks at the problems of the energy sector

Shortages seem likely to persist

Power shortages are nothing new in Morocco. Nor, for that matter, are power cuts. Throughout the 1980s, however, power cuts affected factories and were all but invisible to the public at large.

In the autumn of 1992 the cuts took a turn for the worse. The National Electricity Office (ONE), which has a monopoly of electricity generation, and the municipal distribution companies (Régies) were forced to cut off customers, often entire industrial zones, and stop television programmes between 2pm and 6pm. Such cuts hit the country's industrial production and undermined the arguments put forward by senior officials keen to attract foreign investment to the kingdom.

The immediate cause of the cuts was a drought. Hydroelectricity usually accounts for 15 per cent of all electricity in Morocco, but its share two years ago was cut to 4 per cent.

However, the root causes of the persistent shortages are more deep-seated. They include a substantial build-up of unpaid bills and debts throughout the sector; a lack of autonomy from government ministries which discourages management initiative; a lack of co-ordination among the enterprises within the sector; the absence of an economically sound approach to tariff regulation and finally the lack of a clear legal code and regulatory system.

The sheer size of unpaid bills underlines the problem. As of March 1993, ONE clients were approximately $500m in arrears. Of that amount the Régies owed ONE about two-thirds. In turn, the Régies were owed substantial amounts by their customers, mainly in the public sector.

Though ONE has for 40 years had a monopoly on the production of electricity, it has never been able to manage existing and potential demand, because of political interference.

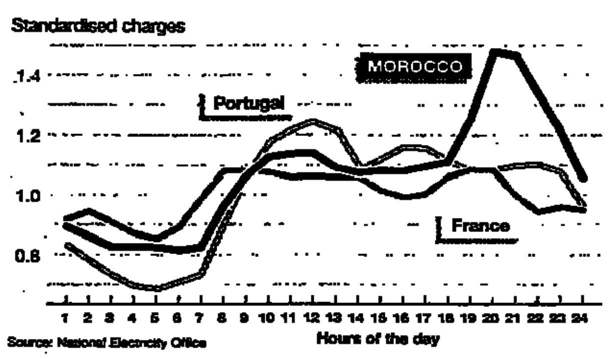
In particular, ONE has had no influence on price setting, tariffs and distribution. Tariffs do not properly reflect economic costs. This explains, for instance, why peak demand represents 180 per cent of base demand and lasts only five hours every day. Low tension electricity is sold more cheaply than high tension electricity, even though it is more expensive to produce. Industrial users subsidise domestic ones.

One half of all purchases of electricity are conducted through local Régies, which are jointly controlled by local authorities and local representatives of the state. The results are predictable. Funds and appointments have long been mismanaged. In some areas of Morocco such as Tetuan ONE and local authorities competed to build power lines and then fought for clients who could not afford to plug into the available power because the cost of doing so was set so high by the local authorities. The drought was thus, in the words of one senior Moroccan official, "akin to knocking a paralytic to the ground".

The panic buying of nine gas turbines at a total cost of $300m has enabled ONE to produce an extra 300 megawatts but running costs are three times those of a coal-fired power station. Gas turbines, designed to run on diesel for short periods, have been running continuously. So there has been inadequate time to do daily maintenance or clean the residue of the heavy diesel fuel from the turbines which have sometimes broken down.

Installing new capacity in a hurry may solve the problem in the short term but senior officials accept that it will do little to avoid shortages at a later stage. Demand is growing at about 7 per cent per annum, but it must be reduced in a systematic way, notably by discouraging it at peak times through special tariffs, encouraging energy efficiency and building new capacity. The constraints imposed in recent years on spending have pushed the government into looking, for the first time, at the idea of private investment in electricity generation.

Comparative daily electric load curves



Source: National Electricity Office

There are three keys to a successful policy apart from new men – the leadership of ONE was changed at a stroke last March.

☐ 1 Morocco must allow for a rise in demand for electricity and double its present generating capacity to around 5,000 megawatts by the year 2000.

☐ 2 ONE, which has a heavy public service obligation and is handicapped compared to potential private investors, must be allowed a freer hand.

☐ 3 A clear legal code for regulating the sector and the predictable and sound caucus of rules governing tariffs must be adopted, which will allow ONE to address the needs of a modern economy.

There are three ways in which power generation can be increased, all of which are now being pursued. The first is to sub-contract primary power generation to private companies. This is being done at Jorf Lasfar, south of Casablanca, where tenders have gone out for the management of two existing coal fuelled stations which produce 600 megawatts and the building of two new ones which will produce an equivalent amount of electricity. Leading western groups such as ABB, AES-GE, Els, Endesa, National Power and Bechtel are competing for a contract which over a 10-year period is worth $1.4bn.

The second source of energy will be the transit fee in gas that Morocco will collect from the Maghreb Europe Pipeline (GME) which will carry gas from Algeria to Spain and Portugal. Construction has just begun. Gas from this pipeline will fuel two combined cycle plants, due to be built in Kenitra and Mohamedia, which will produce 300 megawatts each.

Electricity interconnections with Algeria, which allow Morocco to purchase up to 150 megawatts, already exist. By 1996 the planned interconnection with Spain will enable Morocco to purchase 300 megawatts, a figure which will rise to 600 by the year 2000.

Recasting the institutional framework is the third challenge Morocco faces. Political involvement at all levels reduces management autonomy and effectiveness.

Some examples illustrate the problem. ONE's investment plan is developed and financed in a way which reflects immediate problems facing the government. Financial constraints have led to a preference for bilateral aid financing rather than commercial credits, which in turn leads to delays in realising projects.

ONE must pay import taxes which amount to 50 per cent of the import value of fuel; in Tunisia and the Iberian peninsula such taxes amount to 1.5 per cent or nothing respectively. Individual electricity boards have a social role, thus connecting customers is sometimes driven by political and social pressures rather than by the pursuit of commercial gain.

Privatising local boards could well provide an answer. Tariffs must reflect economic costs, be adjusted to inflation and not penalise industry. Two-part tariffs for low voltage must be introduced, and more sensitive tariffs for all customers are a must.

Such changes, some Moroccans argue, are difficult to introduce because of metering problems. All customers paying a peak tariff would need a new meter. Also, there is the problem of explaining to customers why there is a peak tariff.

Changing bulk supply tariffs will be difficult politically if it entails a change from the previous "no win no lose" policy. It is, however, fair to point out that the crisis of 1992 opened people's eyes. Those now in charge of the sector – Mr Abdellatif Guerraoi at the Ministry of Energy and Mines and Mr Driss Benhima, the new head of ONE – are able hands-on operators.

They know, as do their colleagues in government, that the number of households in the countryside which receive electricity must be pushed up above the current level of 30 per cent and that efforts to promote the activities of local entrepreneurs and attract foreign investment will come to little if there is no power to back up such activities.

■ WATER RESOURCES

Consumers must pay more

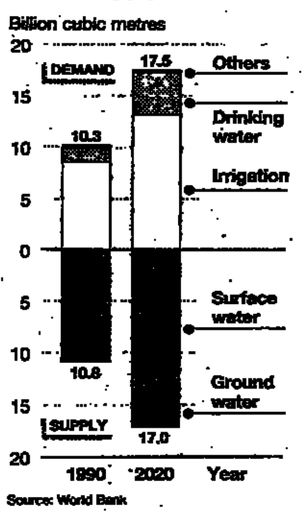
Improving the management of its water resources is one of the key challenges that Moroccan planners face over the next decade. Morocco, where per capita renewable water resources are estimated at 833 cubic metres, is currently, in the jargon of specialists, "water stressed". By the year 2020 per capita water resources are expected to be halved to 411 cubic metres. The country would then qualify as "chronically water stressed".

Drinking water reaches only 14 per cent of the rural population, while resources in a number of important water basins are being exhausted as the infrastructure deteriorates. But much has been achieved, in contrast to neighbouring Algeria.

Perched on the north-west tip of Africa, Morocco is subject to diverse climatic conditions. The port around Tangier and in the Rif mountain range is very Mediterranean, the south is quite Saharan and the western coastal plains are subject to Atlantic influences.

Average annual precipitation levels vary from 750mm in the north to below 100mm in the south. Total rainfall averages 150bn cubic metres a year, 30bn of which replenish surface and ground water flows, the rest being lost in evaporation. Uneven geographical distribution of resources is compounded by uneven and erratic rainfalls. Morocco is susceptible to long periods of drought.

Water supply & demand



Source: World Bank

Half of Morocco's 26m people live on the land, and agriculture provides the livelihood to 40 per cent of the economically active population, contributing around 17 per cent of gross domestic product. Excellent rainfall last winter explains the 11 per cent expected growth in GDP this year; drought more often than not results in a decline in GDP.

Barely 14 per cent of countryfolk have access to safe and reliable supplies of water, for which they pay up to 10 times as much as in town. Contamination of water resources accounts for half of all illnesses in such areas.

Agriculture is by far the largest user of water, accounting for 85 per cent of mobilised resources, a figure which is projected to decline to 77 per cent by the year 2020. Drinking and industrial needs account for the balance.

The greatest challenge facing the authorities is that of the supply and demand balances. Shortages are already evident in a number of river basins. Moroccan water resources are unevenly distributed between basins. Almost 50 per cent of total resources and 93 per cent of current regional surpluses are concentrated in the Sebou and Oum Er Rabia basins. The Casablanca and Rabat-Sale metropolitan areas, which account for 25 per cent of all residential and industrial water demand today, already supplement scarce local resources with water imported from the Oum Er Rabia basin.

Reallocating water resources from irrigation to higher value urban and industrial customers without unnecessary hardship to deprived rural communities is a major issue. Such transfers are inevitable but they need not penalise farming if the efficiency of water use in agriculture is increased. To give but one example, a 20 per cent reduction in water requirements in the Doukkala irrigation perimeter would postpone the need for alternative resources for the Casablanca region until 2050.

The creation of tradeable water rights in these circumstances may provide a solution but it leads to some interesting questions. Could Casablanca contribute to improving efficiency in the Doukkala perimeter in order to be guaranteed secure water supplies at a cost below such expensive alternatives as desalination?

Another aspect of the challenge is that, faced with higher water charges, farmers may be expected to substitute higher value and less water-intensive crops. However the market opportunities for these crops may be limited, thus raising doubts as to their viability in some irrigated areas.

A deterioration in the quality of water constitutes another challenge. Water pollution from domestic, industrial and agricultural sources is approaching critical levels in the two most important river basins. Drinking water supplies have been suspended several times in the Sebou basin and quality problems have occurred in Oum Er Rabia.

The constraints on government spending argue in favour of shifting the costs burden more rapidly towards customers. Until recently, the state budgets financed virtually all water investment. Senior Moroccans accept this is no longer possible.

Urban tariffs today cover operational and maintenance charges for water supplies and sewage, as well as the financial charges associated with the treatment, pumping and distribution of water. But they take no account of marginal costs, most notably the construction of dams. An even greater imbalance lies in the difference between water tariffs in towns and irrigation, the latter representing one fifth of the former.

The deterioration of the infrastructure is yet another problem and the return from existing investment could be significantly raised by improved maintenance. The silting up of dams is a major concern, having already diminished available capacity by as much as one quarter. Conveyance losses in irrigation canals are believed to be as high as 25 per cent. Giving greater weight to efficiency and pricing criteria can thus be expected to yield considerable benefits.

Government spending on mobilising and distributing water is projected to rise by 350 per cent to 2 per cent of GDP by the end of the decade.

Some specialists question whether too many resources are being devoted to the expansion of large-scale irrigation. Some 80 per cent of the $4.8bn National Irrigation Plan budget up to the end of the century is earmarked for such expansion and a further $1bn to rehabilitating existing irrigation systems.

World Bank experts who have been actively involved in financing the development of Morocco's water resources believe that it remains to be demonstrated that the proposed expansion of irrigated areas will prove competitive in terms of economic, social and environmental returns on investment. They believe the balance of investment should be shifted in favour of rehabilitating existing investments.

Francis Ghiles

Universities

Message of the Prophet

In 1990 an oil spillage off the Atlantic coast threatened to cause great damage. King Fahd of Saudia Arabia offered King Hassan of Morocco $50m to help contain it. In the event, strong winds averted a catastrophe, writes Francis Ghiles.

However, King Hassan used the money to realise a dream, creating a university inspired by the Anglo-Saxon education system instead of the French one, which governs all the other universities in Morocco.

Four years later, a new campus has risen on the outskirts of Ifrane, a mountain station south of the old imperial city of Fez in Northern Morocco.

The first students out of a total which will rise to 3,500 started to attend classes in September 1994. They are all post-graduates in three faculties – business administration, humanities and social sciences, sciences and engineering.

It is a private university, where all students pay fees. Donations have enabled scholarships to be offered, as the king does not want the university to draw its students exclusively from the wealthy Moroccan bourgeoisie.

"Al Khawayn" (the two brothers) is a revolutionary concept for Morocco. It aims to renew its cultural past and is part of the king's aim of tying the country to Europe while promoting links between Arab states, Palestinians and Israel. The campus is built around a mosque, but boasts a synagogue and a church.

The Moroccans have been advised by the Texas International Education Consortium, which regrouped the 32 state universities of Texas, on the curriculum. The degrees will be recognised in the US.

The university has three research centres devoted to Islamic culture and the arts, natural resources and strategic studies. Researchers, drawn from all over the world, will form part of the teaching staff.

The "Al Khawayn" aims to encourage serious debate on Islamic values and how they relate to the modern world. Its success would show that Islam can modernise the message of the Prophet and avoid the narrow interpretation of the Koran promoted by many fundamentalist movements today.

COMMODITIES AND AGRICULTURE

Metal profits down for fifth year

By Kenneth Gooding

The financial performance of the western world's non-ferrous minerals producers deteriorated for the fifth successive year in 1993, according to the annual analysis of nearly 200 companies by the Metals & Minerals Research Services consultancy group.

An improvement in the fortunes of precious metals producers failed to compensate for further deterioration in those of the base metals businesses, it suggests.

On two key ratios the industry recorded its worst result since MMRS started collecting these statistics 15 years ago; operating profit margins were only 5.8 per cent and the average return on capital employed was down to 4.8 per cent.

On most other ratios last year's performance was the worst since 1982.

According to MMRS, the industry's aggregate operating profit has fallen by 71 per cent since 1989. Nickel producers last year joined lead/zinc companies in recording an operating loss while the slide for aluminium producers has also been greater than the average.

However, MMRS says a clear ranking emerged in the minerals industry last year, with gold and platinum producers leading profitability on all measures; copper and diversified producers doing best among base metals; aluminium ranking sixth-best (or fourth-worst) overall and nickel, lead/zinc and silver companies generally in loss.

The analysis suggests that the industry's operating revenue fell last year from $166bn to $148bn but its net earnings, after all charges, rose from $425m to $673m. Nevertheless, this bottom line was the worst in real terms since a loss was registered in 1982.

MMRS says the one bright spot in its analysis is gearing. "Although high for a number of individual producers and sectors, this ended last year little different from historical norms," it says.

"Unlike in the early 1980s, debt has been kept under control in the recent market downturn. New issues of equity have also helped."

1994 World Minerals Industry Financial Review; £850 from MMRS, 2 Henry Street, Bath, Avon, BA1 1JT, UK.

Aggregate Profit & Loss Account of Sample (in millions of US dollars)

	1991	1992	1993
Operating revenue	167,009	166,524	148,268
Operating costs	(153,974)	(154,946)	(139,729)
Operating profit	13,035	11,578	8,540
Other income	534	358	763
Net interest payments	(4,660)	(4,203)	(3,569)
Pre-tax profit	8,909	7,733	5,734
Mining and income taxes	(4,170)	(4,088)	(4,425)
Profit after tax	4,739	3,645	1,308
Attributable to minorities	(442)	(429)	(481)
Share of net associate incomes	176	13	334
Preferred dividends	(163)	(226)	(227)
Earned for ordinary shares	4,309	3,003	934
Extraordinary post-tax losses	(978)	(2,578)	(261)
Earned for ordinary shares after extraordinary losses	3,331	425	673

Source: MMRS

Recovery in iron ore prices forecast as steel output surges

By Frances Williams in Geneva

A recovery in iron ore prices, which have been severely depressed for the past three years, now seems imminent, according to government and industry experts meeting in Geneva to review iron ore market developments.

The experts are predicting an upsurge in global steel production and consequently in the world market for iron ore next year, following strong demand in 1994. World iron ore exports are expected this year to rise by more than last year's 8 per cent, when they totalled 398m tonnes.

This has not been enough so far to prevent another collapse in iron ore prices, by nearly 20 per cent over 1993-94. Prices remain around 25-30 per cent below the 1991 level, depressing export earnings despite higher shipments. In 1993 iron ore trade transactions amounted to $7.55bn, the lowest value since 1989, and in 1994 too lower prices are expected to offset increased exports.

In 1995, however, the market is expected to improve sufficiently to push prices up. Steel production is increasing all over the world, except in the Commonwealth of Independent States and Africa, scrap prices are soaring and demand for primary iron products is rising. The world supply of pellets and lumps remains tight.

The United Nations Conference on Trade and Development, sponsor of the three-day meeting that ended yesterday, says low prices have not been conducive to new greenfield projects but companies are continuing to invest in replacement and expanded capacity to assure long-term supply.

Four major projects have started this year, in Mauritania, Brazil, Australia and Venezuela. Other projects are under way in Australia, Chile, China, India and Sweden.

Meanwhile, ownership concentration in the iron ore industry is increasing, according to Mr Magnus Ericsson, of Sweden's Raw Materials Group. He told the meeting that the production share of the three biggest iron ore companies had risen from 19 per cent in 1975 to 34 per cent in 1993. Cia Vale do Rio Doce, a state-owned Brazilian producer, leads the field, followed by Broken Hill of Australia and Britain's RTZ.

Mr Ericsson said this defied the trend to deconcentration in most of the main non-ferrous minerals and metals markets. He attributed the difference to the huge size of the iron ore industry and the potential for scale economies, the presence of big deposits of high-grade ores and steep cost barriers to entry.

Mr Ericsson noted that steel companies had weakened their grip on the iron ore industry, with only four steel companies among the top ten producers. The top 20 iron ore mining companies now included three Chinese, three Russian, two Ukrainian and one Kazakh, he pointed out.

Parisian exchange studying wheat futures

By Andrew Jack in Paris

Matif, the French futures and options market, is moving closer to developing a new market for financial derivatives in wheat, its president said yesterday.

The decision to launch the new market would depend on liberalisation of the existing regulations controlling the price of wheat and is unlikely to take place for a number of months.

Mr Gérard Pfauwadel, Matif president, said: "Wheat prices are not determined by the market but by technocrats in Brussels. They are still partially subsidised. We are waiting for volatility of prices. We need a market game".

Tomorrow the Matif launches a market in futures for rapeseed, in response to deregulation of the price for oilseeds in 1992. It already operates markets for white sugar and potatoes.

Market officials said yesterday they would also consider the possibility of developing futures products in related oilseed products, such as sunflower oil, and in rapeseed options or other derivatives if the rapeseed futures market proved successful.

Experts at Matif have been studying the possibility of developing wheat products, but are reliant on the planned liberalisation of the determination of the commodity's prices through reforms to the European Union's common agricultural policy and the General Agreement on Tariffs and Trade.

Mr Pfauwadel said he believed that one of the few potential growth areas for developing new products at the Matif was in commodities, and particularly agricultural products – reflecting the farming roots of French society.

Aluminium chief sees bridge to prosperity

By Kenneth Gooding, Mining Correspondent, in Atlanta

More than 200,000 bridges in the US are structurally deficient or functionally obsolete. If aluminium was specified in only one-third of all bridge repair or replacement projects, at least an extra 400m lb a year of the metal would be required.

Mr Richard Holder, chairman of Reynolds Metals, the world's third largest aluminium company, gave these statistics yesterday in an upbeat presentation about potential future demand for the material.

He suggested that the infrastructure market offered the industry tremendous potential because many countries were faced with crumbling bridges and highways, leaking water and sewer lines and ageing mass transit facilities. Meanwhile, many developing countries were now creating infrastructure systems.

Alusaf of South Africa said yesterday it would consider further expansion if the metal's present price recovery was sustained, but only once its Hillside project was up and running, reports Reuters from Johannesburg.

The company was due to start bringing on stream an extra 466,000 tonnes of aluminium from mid-1995 at Hillside, but start-up had been brought forward by five months and there was no room to accelerate it further, a company official said as aluminium climbed to a four-year high of more than $1,800 a tonne on the London Metal Exchange.

However, if the price recovery was sustained Alusaf would accelerate its long-term plans to upgrade potrooms B and C at its existing Bayside smelter.

That could produce an extra 40,000 tonnes of aluminium a year over current annual output of 170,000 tonnes at Bayside.

Speaking at Alumitech 94 in Atlanta, the biggest exhibition and conference about aluminium ever organised by the industry, Mr Holder also predicted that the use of aluminium in North American cars would grow by another two-thirds by the year 2000.

Having risen by 23 per cent last year to 210lb on average per car, it was expected to rise to 350lb by the end of the decade. "That projection may even be conservative because it does not count on a lot of body sheet applications which are looking more abundant by the day," he added.

Mr Holder said there were tremendous prospects for aluminium beverage cans outside the US, a country where the metal now had 98 per cent of the market and where shipments this year would total more than 100bn cans for the first time.

"Within the next 25 years, the aluminium beverage can will have as great a presence within Latin America, the Middle East and eastern Europe as it has today in the US," he said.

Reynolds predicted a 65 per cent growth in the global aluminium beverage can market by the year 2000.

Alumitech, sponsored by the US Aluminium Association, is designed to provide a forum for exchanges of information on the most important technical, environmental and market place issues facing the industry and has attracted visitors from 30 countries to hear 120 speakers at 50 discussion sessions.

It takes place, as Mr Holder pointed out, when the aluminium industry is turning a corner from the most difficult four years in its history.

MARKET REPORT

Copper soars

COPPER prices soared at the London Metal Exchange yesterday as US investment funds took up the baton from a strong European market, profit-taking set in, as expected, but the three months delivery price still ended $49 up at $2,635 a tonne. Earlier it had reached a 4-year high of $2,650.

Three months ALUMINIUM moved above $1,800 a tonne like a hot knife through butter and hit $1,835 before speculators began to cash in profits. It ended at $1,820, up $58.

The investment funds also found time to push London white SUGAR futures to 1994 highs, despite a dearth of fundamental news. The funds wanted to push the market above resistance levels in order to set up potential profits, traders explained.

Compiled from Reuters

'Super rice' could boost harvests by 25 per cent

By Deborah Hargreaves

A new breed of "super rice" that can produce 25 per cent more grain on the same amount of land and help feed an additional 450m people a year has been developed by scientists at the International Rice Research Institute, the World Bank announces this week.

The new strain is capable of yielding 5 tonnes per acre on irrigated land compared with 4 tonnes for existing varieties. If widely planted, the World Bank estimates that the new breed of rice could produce 100m tonnes more each year than is now grown.

This extra rice could help feed a population boom expected over the next 30 years when demand for rice is expected to increase by 70 per cent to 350m tonnes.

"It's not possible to step up rice production dramatically by planting on new land," said Mr Ismail Serageldin, chairman of the World Bank's consultation group on international agricultural research of which the rice institute is part. He points out that good rice land is being lost to expanding urban centres.

The rice institute has developed over 300 varieties over the past 30 years. It has managed to increase the yield of its new breed by improving the grain to straw ratio of the plant.

More tests need to be conducted on the new breed of rice before it can enter commercial production, but the rice researchers are already trying to cross it with other hybrids to improve yields further to a possible 6 tonnes per acre.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1794-5	1817-8
Previous	1716.5-7.5	1741-2
High/low	1802	1830/1785
AM Official	1804-5	1827-8
Kerb close		1818-9
Open int.	256,842	
Total daily turnover	75,740	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1750-60	1785-95
Previous	1720-5	1750-5
High/low		1805/1780
AM Official	1765-75	1800-10
Kerb close		1795-805
Open int.	2,962	
Total daily turnover	273	

■ LEAD ($ per tonne)

Close	656.5-7.5	670.5-1.5
Previous	644.5-5.5	659-9.5
High/low		674/659
AM Official	655-6	659-9.5
Kerb close		671-2
Open int.	41,931	
Total daily turnover	10,155	

■ NICKEL ($ per tonne)

Close	7205-15	7320-25
Previous	6945-55	7055-60
High/low	7190	7370/7220
AM Official	7190-5	7310-15
Kerb close		7335-40
Open int.	66,861	
Total daily turnover	15,995	

■ TIN ($ per tonne)

Close	5660-70	5745-50
Previous	5520-30	5605-10
High/low		5830/5720
AM Official	5685-90	5770-5
Kerb close		5760-70
Open int.	17,339	
Total daily turnover	9,352	

■ ZINC, special high grade ($ per tonne)

Close	1099-1100	1121-2
Previous	1065.5-6.5	1088-9
High/low		1126/1102
AM Official	1092-3	1114.5-5.0
Kerb close		1120-1
Open int.	101,437	
Total daily turnover	38,393	

■ COPPER, grade A ($ per tonne)

Close	2621-2	2638-9
Previous	2582-3	2569-70
High/low	2655	2652/2602
AM Official	2655-6	2634-5
Kerb close		2635-6
Open int.	211,982	
Total daily turnover	118,225	

■ LME AM Official £/$ rate: 1.6339
LME Closing £/$ rate: 1.6333

Spot:1.6339 3 mths:1.6327 6 mths:1.6301 9 mths:1.6265

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	123.55	+2.50	123.90	122.60	953	203
Nov	122.60	+2.75	123.00	122.00	1,473	192
Dec	122.00	+2.75	122.60	120.85	39,871	7,071
Jan	121.30	+2.65	121.70	121.30	798	15
Feb	120.60	+2.60	120.10	120.00	570	-
Mar	119.75	+2.40	120.40	118.95	8,752	1,048
Total					58,272	9,018

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	388.80-389.20	
Opening	388.80-389.20	
Morning fix	388.80	238.104
Afternoon fix	388.90	237.758
Day's High	389.30-389.70	
Day's Low	387.50-387.90	
Previous close	389.20-389.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.59 6 months 5.14
2 months ....4.66 12 months 5.49
3 months 4.91

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.60	530.75
3 months	329.35	538.05
6 months	334.45	545.35
1 year	346.90	562.95
Gold Coins	$ price	£ equiv.
Krugerrand	391-394	239-242
Maple Leaf	399.65-402.15	-
New Sovereign	91-94	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Cotton

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	[illegible]					
Feb	36.900	+0.350	36.975	36.575	18,052	4,162
Apr	37.025	+0.300	37.150	36.850	7,441	1,415
Jun	42.275	+0.175	42.325	41.900	4,356	666
Aug	41.750	+0.050	41.750	41.600	1,871	216
Oct	38.750	+0.100	38.750	38.600	339	49
Total					32,941	6,642

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	39.800	+0.150	40.175	39.275	8,694	1,496
Mar	40.025	+0.250	40.250	39.250	998	169
May	40.975	+0.200	41.450	40.700	318	39
Jul	41.700	+0.300	41.850	41.300	301	47
Aug	40.700	-	0	40.600	66	2
Total					10,377	1,748

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1800	57	86	46	75
1825	45	84	59	87
1850	35	73	74	101
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2600	94	112	50	100
2650	67	89	73	126
2700	47	70	102	156
■ COFFEE LCE	Jan		Jan	
3500	257		244	
3550	237		274	
3600	219		306	
■ COCOA LCE	Dec	Mar	Dec	Mar
925	36	87	12	32
950	22	72	23	42
975	12	60	38	54
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	83	99	12	99
1650	50	73	23	73
1700	24	51	51	51

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)		+or-
Dubai	$15.49-5.55z	+0.305
Brent Blend (dated)	$16.93-6.95	+0.39
Brent Blend (Dec)	$16.76-6.78z	+0.33
W.T.I. (1pm est)	$17.94-7.95z	+0.375
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$183-186	+1
Gas Oil	$156-157	+2.5
Heavy Fuel Oil	$91-93	+1
Naphtha	$170-172	+1
Jet fuel	$180-181	+2.5
Diesel	$151-162	+2.5
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$389.00	-0.40
Silver (per troy oz)♣	536.5c	+6.0
Platinum (per troy oz.)	$422.00	+0.75
Palladium (per troy oz.)	$157.00	+0.65
Copper (US prod.)	125.0c	+1.0
Lead (US prod.)	39.15c	
Tin (Kuala Lumpur)	14.03c	+0.15
Tin (New York)	267.0c	+10.5
Cattle (live weight)†	115.30p	-0.90*
Sheep (live weight)†♠	93.38p	+1.12*
Pigs (live weight)	74.01p	-1.42*
Lon. day sugar (raw)	$317.1	-0.2
Lon. day sugar (wte)	$351.0	-1.0
Tate & Lyle export	£306.0	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$132.0y	
Wheat (US Dark North)	£165.0u	
Rubber (Dec)♥	86.75p	-0.50
Rubber (Dec)♥	86.25p	
Rubber (KL RSS No1 Jul)	346.0m	-0.5
Coconut Oil (Phil)§	$640.0v	+5.0
Palm Oil (Malay.)§	$635.0t	+5.0
Copra (Phil)§	$400.0u	
Soyabeans (US)	£152.5v	-1.5
Cotton Outlook'A' index	75.35c	+0.85
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,595 Set by GRIFFIN

[illegible]

ACROSS

1 A fellow student interrupts recess (6)
4 Left out assorted candles to go up (6)
8 Leaning over and showing one's appreciation? (7)
9 Ask about Cleopatra's killer being irritable (7)
11 Upsetting bits during broadcast (10)
12 Paddles round when circumnavigating backwater (4)
13 Guide found one in parcel (5)
14 Missing railway lorry's gone into railings here (8)
16 Bewildered members found CSE awkward (8)
18 Disappearing act depressed crowd (5)
20 Prison in West Iran (4)
21 Doctor Carey burnt his seat! (10)
23 Virginia left lake with her (7)
24 Question expert about name indirectly (7)
25 Points to exhaust when complete (6)
26 Suspend without charge on leaving zone (6)

DOWN

1 Excuse to bail out first person (5).
2 Means top Italian man's superfluous (7)
3 Looks up to see tavern collapsing (9)
5 Insult by taking slanting can out (5)
6 Go off with report (7)
7 Princess taking pamphlet on board amuses (9)
10 Shy theologian takes poor Fifi to hospital (9)
13 Rotten sport to consider lying down (9)
15 "Work with iron ore" said bully (9)
17 Zealous adjudicator upset by topless event (7)
19 Hug me on turning up to stay (7)
21 Announcer caught five leaving river (5)
22 Ruffle constabulary man (5)

Solution 8,594

B	A	C	K	C	H	A	T		H	A	R	R	I	S
L		O		A		N		P		B		A		E
O	R	L	O	P		C	R	O	S	S	O	V	E	R
U		L		I		I		S		T		E		P
S	H	O	R	T	R	E	S	T		R	A	N	G	E
E		C		A		N		E		A				N
	P	A	L	L	E	T		R	E	C	O	U	N	T
A		T		S						T		N		S
P	R	E	T	E	N	D		R	E	P	A	I	R	
P				N		U		O		A		T		B
A	S	S	E	T		F	U	L	M	I	N	A	T	E
R		I		E		F		L		N		R		A
E	N	G	E	N	D	E	R	S		T	H	I	N	G
N		H		C		R		O		E		A		L
T	O	T	T	E	R		E	N	T	R	A	N	C	E

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Early gains eliminated following gilts auction

By Terry Byland,
UK Stock Markets Editor

Strong selling of stock index futures at the close of trading yesterday hit a UK stock market where early gains had already been almost eliminated following a very poor response to the auction of £2.5bn of five-year British government bonds. The FT-SE 100 Index slipped below the 3,000 mark again in the final minutes and traders expressed pessimism ahead of this morning's opening.

Equities were helped at first by a brightening of the currency scene after the French Economic Minister professed readiness to join in any dollar support plans and the governor of the Bank of Japan rejected suggestions that the US was acquiescing in a weak dollar.

With long-dated UK bonds firmer in line with other bond markets on the improved dollar sentiment, the Footsie had gained 28.8 points by mid-morning. But 3,029.7 proved to be the day's high point as first reports from the gilts auction reached the stock market.

The market's advance was quickly routed. A brief rally as Federal bonds responded to a gain of only 0.1 per cent in US durable goods orders for September proved a false dawn and markets turned off again in London and New York as interest rate worries resurfaced in nervous equity markets.

By the close, when losses in UK gilts were half a point down on the day, the FT-SE 100 Share Index was a net 1 point off at 2,999.9. The sudden rush of selling in the futures market drove the December futures contract on the FT-SE Index down to 2,993. Some traders perceived a turn for the worse in futures trading over the past few sessions.

London dealers warned that the UK market could face a difficult opening this morning after the auction of five year Federal notes overnight; the Bundesbank policy council meets today and tomorrow brings the gross domestic product statistics in the US. The Dow Industrial Average was 9 points down when London closed for the day.

The withdrawal of buying support across the full range of the market brought a further fall of 7.4 points in the FT-SE Mid 250 Index which closed 3,467.2. Business in non-Footsie stocks made up around 60 per cent of the day's total of 517.4m shares through the Seaq electronic network, itself a dip of just over 9 per cent from the previous session.

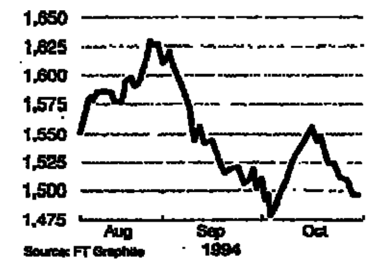
The UK market faces important trading statements today from several blue chip companies likely to provide a lead for the market. The insurance sector performed well for most of yesterday's session, with dealers taking the view that the generally negative report on pension fund sales from the Securities Investment Board largely taken into share prices already.

Oil shares also performed well as good results from the US oil firms outweighed any worries over the US currency. Recommendations from stockbroking analysts brought a number of firm spots across the range.

Consumer and retail issues stood up well in spite of the warning on inflationary pressures this week from the Confederation of British Industry. The London securities arm of UBS warned clients that while the CBI survey took place against a background of continued strong growth in the UK economy, the recent gross domestic product statistics had suggested that the pace of growth was slowing. Moreover, said UBS, the survey's references to capacity shortages and unit cost pressures suggested that the medium term outlook for inflation could be "distinctly gloomy."

However, Paribas Capital Markets, forecasting Footsie at 3,300 at the end of the year, believes that base rates will remain at current levels until then. It claims that market perceptions that significant increases in inflation and interest rates are threatened is "right in principle but likely... to be hopelessly wrong in degree."

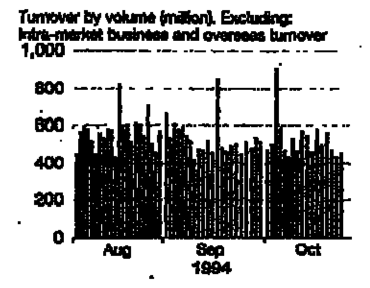
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ **Key indicators**

Indices and ratios

FT-SE 100	2999.9	-1.0	FT Ordinary index	2298.5	-3.3
FT-SE Mid 250	3467.2	-7.4	FT-SE-A Non Fins p/e	18.40	(18.43)
FT-SE-A 350	1508.4	-1.1	FT-SE 100 Fut Dec	2993.0	-16.0
FT-SE-A All-Share	1496.60	-1.14	10 yr Gilt yield	9.02	(8.94)
FT-SE-A All-Share yield	4.03	(4.03)	Long gilt/equity yld ratio:	2.23	(2.22)

Best performing sectors

1	Life Assurance	+2.2
2	Gas Distribution	+1.2
3	Oil, Integrated	+0.7
4	Oil Exploration & Prod.	+0.6
5	Printing, Paper & Pckg	+0.5

Worst performing sectors

1	Electricity	-1.4
2	Textiles & Apparel	-1.4
3	Merchant Banks	-1.2
4	Tobacco	-1.2
5	Extractive Industries	-0.8

Market awaits ICI news

There is still a conviction among London's financial community that ICI is the symbol of Britain's industrial well-being and the market hung fire ahead of the chemical giant's third-quarter figures today.

The FT-SE 100 closed flat and ICI were virtually unchanged at 799p as the stock market waited for what one dealer described as: "The most sensitive figures for three years, both for ICI and for the market."

The range of forecasts for the company's pre-tax profits is unusually wide reflecting the divergent views on the direction of the UK economy. The bulls, who believe the company might produce profits as high as £145m, argue that the rise in commodity prices will be reflected in ICI's figures before being passed through downstream companies such as BTR and Yule Catto to be reflected in the economy as a whole.

The bears, who are looking for around £120m, believe that the pick-up in commodity prices has already been factored into the market - ICI shares have outperformed the FT-SE A All Share Index by more than 15 percentage points since the beginning of March - and the stock is due for a correction.

Bass wanted

Bass again stood out among brewers as a combination of yield buying and some finger crossing on the budget helped lift the shares 8 to 544p on turnover of 2.5m for a two-day advance of 12.

There were signs yesterday that yield-hungry buyers were moving in ahead of Bass's traditional chunky final dividend. The 1993-94 results are due at the end of next month and analysts expect the final payment could be edged up to 15p a share.

Bass is market leader with 23 per cent of UK beer sales, and yesterday tentative hopes for a reduction in beer duty in the November budget showed signs of gaining ground. However, stockmarket opinion here is polarised.

Resilience of Vodafone stock, up a penny at 199p contrasted with losses in both BT and Cable & Wireless, was attributed by marketmakers to strong support from Hoare Govett, the stockbroker.

Hoare's telecoms team was said to have been promoting Vodafone shares on the view that the company will come up with a rapidly improving performance in Germany and following recent excellent figures from US cellular companies.

The broker was said to have highlighted the expansion of Vodafone's E Plus subsidiary in Eastern Germany and its highly competitive tariff across the whole of Germany. Vodafone launched E Plus in May this year and is expected to cover 60 per cent of Germany by the end of the year. Hoare was said to have put a valuation of $1.3bn on E Plus.

The bulls got the better of the long standing two-way pull in P&O, pushing the shares up 8 to 602p in turnover of 2.6m following a major assessment of the company by UBS.

The securities house reiterates its buy stance, pointing to strong yield and the 85 per cent of operating profits that arise from business other than cross channel ferries. According to UBS, P&O is the third highest yielding Footsie share.

BTR was again the most actively traded Footsie share, gaining 1 to 302p in 18m of turnover which compared with 14m trades on Tuesday. Much of the activity stemmed from the exercise of 28m warrants at 285p each with substantial batches of the newly created shares said to have changed hands.

The oil majors attracted solid support in the US overnight and again at the outset yesterday as institutions responded to the encouraging numbers from the US majors and the prospect of good third quarter numbers from Shell Oil this afternoon. Dealers said the market was looking for "clean" profits in excess of $320m, against a comparable $239m, from Shell.

Shell Transport moved up 6 to 700p, after turnover of 3.2m while BP settled 2¼ up at 413½p on good turnover of 8.3m.

Mining group RTZ slipped 7 to 847p as Panmure Gordon reiterated its sell stance.

Pharmaceuticals group Wellcome added 11 to 622p with traders saying that Goldman Sachs, the US investment bank which reiterated its negative stance on the company earlier in the week, had a sizeable sell order on its books.

Meanwhile SmithKline Beecham improved 2¼ to 405½p in the 'A's as reports in the US press gave suggested that the purchase of drugs distributor DPS would go ahead as planned. There had been suggestions that the US Food and Drug Administration was concerned about the acquisition.

Motor parts services group Kwik-Fit put on 2 to 151p on news of a £9.5m takeover which increases outlets numbers by more than a sixth to around 800. Among motor distributor, Cowie gained 7 to 212p with the shares bouncing from what analysts saw as an earlier oversold position.

Prudential Corporation put on the best individual performance in the FT-SE 100 as the market responded positively to news of a 15 per cent upturn in worldwide new business figures. Prudential shares jumped 10, or 3.3 per cent, to 308p, on turnover of 4.8m.

Elsewhere in life assurance stocks Legals edged up 5 to 433p. Lloyds Abbey Life, given a rough ride by the market in the run up to the SIB report, were heavily traded and settled 10 higher at 336p. Britannic edged up 3 to 407p, London and Manchester eased 2 to 318p and Refuge dipped a penny to 275p. United Friendly retreated 15 to 483p.

In the composites area Commercial Union moved up 6 to 524p, as did General Accident, 556p. TSB was the second heaviest traded stock in the market after Smith New Court, the securities house bought a block of 5.7m shares at 210p and placed the majority at 212p.

The recent big buyer of Standard Chartered made a series of fleeting appearances in the market, helping stabilise the shares which closed only a shade easier at 278p; turnover of 1.1m was well below recent levels. Dealers pointed to heavy options activity in HSBC whose shares moved up 4½ to 699½p. Merchant bank SG Warburg took another tumble, falling 14 to 600p reflecting uncertainty across the range of both global bond and equity markets.

Supermarket chain J. Sainsbury was weak early in the day with dealers saying Morgan Stanley had cut its forecast ahead of half-year figures next Wednesday. However, the shares rallied later to close 2 firmer at 386p.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1994

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had another day of wide swings, ending the session back under 3,000 in much reduced volume, writes Jeffrey Brown.

The FT-SE 100 December contract rose steadily through most of the morning but peeled off in the final couple of hours, diving steeply in the dying moments of the day's trading.

Against a 3,040 best of the day, the contract was 2,993 at the official 4:10 close, down 16 points. At this level the premium to the cash market was 10 points with fair value premium around 14 points.

Activity was dull with 10,594 contracts comparing bleakly with the previous day's 18,600 contracts. Most of this was concentrated into the morning session.

Afternoon trading was left mostly to the whim of smaller deals but there was an upsurge of excitement right at the close when two big sell orders from two major houses went through.

Traded options activity edged ahead with 50,760 lots, against 49,676 lots on Monday. FT-SE and Euro FT-SE volume accounted for around 20,500 lots.

British Steel stood out among individual stock options, turning over 8,100 lots, or more than twice as much as the second busiest stock option, Marks and Spencer (3,084 lots).

Thames Water, Hanson and Sainsbury were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3023.0	2993.0	-16.0	3040.0	2992.0	12197	54444
Mar	3056.5	3014.0	-16.0	3056.5	3015.0	16	3831

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec		3465.0	-10.0			0	4216

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Oct	-	3475.0	-	-	-		0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3000) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 469 Puts 2,332 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct		121½	67½	95½	90½	73	117½	

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	108	316½	-2½
ASDA Group†	5,600	61½	-½
Abbey National†	1,700	408	+3
Albert Fisher	1,500	44	
Allied Domecq†	644	574	-1
Anglian Water	60	524	-4
Argos	25	324	-1
Argyll Group†	2,800	256	-1
Arjo Wiggins†	2,100	258	+7
Assoc. Brit. Foods†	21	524	+2

FT - SE Actuaries Share Indices — The UK Series

	Oct 26	Day's chge%	Oct 25	Oct 24	Oct 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2999.9	----	3000.9	3029.1	3032.8	3154.3	4.23	7.24	16.31	110.69	1138.22
FT-SE Mid 250	3467.2	-0.2	3474.6	3500.2	3502.4	3537.1	3.61	5.88	20.51	106.90	1294.62
FT-SE Mid 250 ex Inv Trusts	3466.1	-0.3	3474.9	3498.5	3500.8	3537.4	3.77	6.36	19.11	113.37	1291.56
FT-SE-A 350	1508.4	-0.1	1509.5	1523.0	1524.6	1575.3	4.09	6.93	17.11	53.77	1170.40
FT-SE SmallCap	1774.16	-0.1	1775.97	1788.20	1786.56	1804.27	3.33	5.01	25.18	48.85	1380.15
FT-SE SmallCap ex Inv Trusts	1747.44	-0.1	1749.78	1758.34	1759.49	1788.27	3.54	5.57	22.98	50.71	1363.59
FT-SE-A ALL-SHARE	1496.60	-0.1	1497.74	1510.76	1512.29	1560.13	4.03	6.79	17.52	52.50	1161.13

■ **FT-SE Actuaries All-Share**

	Oct 26	Day's chge%	Oct 25	Oct 24	Oct 21	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2662.10	+0.5	2649.84	2666.67	2661.91	2425.10	3.46	5.14	24.59	82.53	1071.87
12 Extractive Industries(4)	3809.32	-0.8	3833.10	3885.08	3880.59	3143.00	3.37	5.40	22.82	98.62	1049.50
15 Oil, Integrated(3)	2625.36	+0.7	2608.44	2618.01	2612.62	2401.40	3.59	5.73	21.74	86.98	1080.39
16 Oil Exploration & Prod(11)	1870.33	+0.6	1859.94	1878.13	1877.33	1957.70	2.22	‡	‡	38.03	1082.14
20 GEN MANUFACTURERS(267)	1831.67	-0.1	1834.21	1849.81	1853.53	1923.50	4.17	5.25	23.11	66.87	938.48
21 Building & Construction(33)	1040.88	----	1041.18	1051.39	1051.39	1172.80	3.79	5.33	24.75	36.06	820.21
22 Building Matls & Merchs(32)	1784.76	-0.7	1796.73	1812.56	1817.47	1868.50	4.17	5.43	22.31	66.90	845.35
23 Chemicals(23)	2294.14	+0.2	2288.42	2317.88	2319.37	2217.80	4.04	4.60	27.80	79.68	1018.05
24 Diversified Industrials(16)	1728.41	+0.2	1725.10	1736.93	1749.06	2012.20	5.30	5.35	22.47	82.75	888.92
25 Electronic & Elect Equip(34)	1825.91	-0.8	1840.18	1858.74	1857.44	2115.40	4.12	6.90	17.28	60.85	894.58
26 Engineering(71)	1772.29	-0.2	1776.10	1790.32	1789.42	1692.00	3.22	5.10	23.22	49.47	1015.11

■ **Hourly movements**

■ **FT-SE Actuaries 350 Industry baskets**

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	61	10
Other Fixed Interest	0	13	1
Mineral Extraction	60	52	84
General Manufacturers	103	130	404
Consumer Goods	34	48	105
Services	69	100	326
Utilities	6	26	13
Financials	91	74	200
Investment Trusts	93	58	314
Others	50	31	32
Totals	506	593	1489

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 24	Expiry	January 26
Last Dealings	November 4	Settlement	February 9

Calls: Air London, Aviva Pet., Bula Res., BTR Wrts.'97, Do.'98, Hanson Wrts., Kingscreen Res., Next., Shoprite, Waverley Mng. Puts: Shoprite, Waverley Mng. Puts & Calls: Air London, Next

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£20½	+⅛	£25¼	£19⅝	6,244	5.3	φ
ANZ A$		171	-1	278¾	171	2,276	5.3	26.9
Abbey National	†N□	406	+3	523	380½	5,388	4.8	13.6
Allied Irish I£	♣†N□	244	+3	314	233	1,626	5.2	9.4
Anglo Irish I£	N□	58	—	*70	50	180.6	7.4	10.6
Asahi Y	□	688	-12	818¼	628	15,988	0.6	φ
Banco Bil Viz Pta	□	£16½	+⅛	£16¾	£14⅛	3,625	5.1	7.3
Banco Sant Pta		£25¾	—	*£30¾	£23¼	4,288	5.0	8.9
Bk Ireland I£	♣N□	274	+1	*319	246	1,294	4.8	7.9
Bank Scotland	♣†N□	192½xd	-2½	247	172½	2,246	3.4	10.9
9¼pc Pf		108xd	—	147½	108	108.0	10.9	–
9⅞pc Pf		111¼xd	—	149½	111¼	111.2	11.0	–
Barclays	♣†N□	509	+2	640	487	8,209	3.7	12.2
Dai Ichi Kan Y	□	£11½	+½	£12⅞	£10⅝	34,569	0.5	–
Deutsche DM	□	£298¾	+4½	£344¼	£270¾	14,105	2.3	–
Espirito Santo	□	19⅝	+⅛	*£23¾	19⅝	189.9	4.1	4.6
First Nat Fin	N□	65	—	*90	60	109.7	2.9	–
6.3pc Cv Pf		71	—	*90	71	4.77	11.1	–
7pc Cv Pf		125½	—	171	123	58.6	7.0	–
Fuji Bank Y	□	1394	-½	1549¼	1152½	39,225	0.4	φ
HSBC HK	†N□	701xd	+3	1139	680	12,287	4.4	10.1
HSBC (75p Shs)	†N□	699½xd	+4½	1113	660	5,852	4.4	10.1
Lloyds	†N□	544	+5	660	519	7,056	4.3	10.7
Mitsubishi Y	□	£15⅝	—	£18⅞	£15⅛	43,610	0.4	φ
Mits Tst & Bk Y	□	934¼	-12	1182¼	687½	11,195	0.5	14.9
Mitsui Tst & Bk Y	□	710¼	+½	878	514	8,598	0.8	24.1
Nat Aust A$	†	476	+2	620¼	472	6,366	5.6	10.5
NatWest	†N□	482	-4	622	421	8,039	5.0	9.0
Obanque FFr		£21⅛	-¼	233	£21¼	100.8	8.7	φ
Ryl Bk Scotland	♣†N□	423	+3	528	377½	3,388	3.5	19.1
Sakura Y	□	98⅞	+⅛	28⅝	98⅞	27,466	0.6	51.5
Sanwa Y	□	£12⅞	-⅛	£15⅛	£11⅞	38,438	0.5	–
Standard Chartd.	†N□	278xd	-1	*368¼	223	2,677	2.9	9.5
7 3/8pc Prf		84¼	-¼	108½	82¼	84.2	10.9	–
Sumitomo Y	□	£11⅞	-⅛	£16⅛	£11⅛	35,887	0.5	24.3
Sumitomo Tst Y	□	887	+⅛	1148½	825	11,032	0.6	φ

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

	Notes	Price
AGA SKr	□	£5¼
Akzo Fl	□	£73⅝
Allied Colloids	†N□	138½
Amber Ind	N	780
BASF DM	□	£125⅞
BOC	♣N□	679
BTP	♣N□	289
Bayer DM	□	£137⅞
Brent	N□	114½xd
British Vita	†N□	239xd
Cambridge Iso S	♣	19
Canning (W)	♣N□	182xd
Cameleon	♣N	65
Warrants		18
Courtaulds	N□	431
Croda	†N□	365xd
Doeflex	♣N	138xd
Engelhard $		£14⅞
European Colour	♣N□	61½
Gibbon Lyons	♣N	138
Hickson	♣N□	149xd
Hoechst DM	□	£131⅞
Holliday Chemical	†♣N□	217
ICI	N□	799
Inspec	L□	214xd
Kalon	♣†N□	141
Laporte	♣†N□	686xd
MTM	♣Z□	81
Manders	N□	389xd
McLeod Russel	N□	109
Metrotect Inds	♣N□	102
Perstorp SKr	□	£24¼
Porvair	♣†N	285
Scapa	♣N□	209
Sutcliffe Speak	♣N□	34
Wardle Storeys	N□	411

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for

T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1295 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT2651. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 Jersey: 0534 71696
Private Clients 0800 414181 010 352 250404220
From O'seas (44) 732 777377 Hong Kong (852) 848 1000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
A$ Accum		A$-	16.980		+0.008	4.50
A$ Dist		A$-	15.148		-0.008	4.50
ASch Accum		Sch-	235.58		+0.09	3.80
ASch Dist		Sch-	201.66		+0.05	3.80
BFr Accum		BFr-	530.40		+0.18	3.80
BFr Dist		BFr-	504.54		-0.15	3.80
C$ Accum		C$-	17.033		+0.005	3.70
C$ Dist		C$-	15.149		+0.004	3.70
Dkr Accum		DKr-	109.14		+0.04	4.40
Dkr Dist		DKr-	101.05		+0.04	4.40
DM Accum		DM-	34.181		+0.011	3.80
DM Dist		DM-	30.775		+0.009	3.80
DFl Accum		Dfl-	30.029		+0.009	3.80
DFl Dist		Dfl-	25.277		+0.007	3.80
ECU Accum		Ecu-	12.425		+0.003	4.70
ECU Dist		Ecu-	10.111		+0.003	4.70
FM Accum		FM-	104.09		+0.03	2.80
FM Dist		FM-	100.12		+0.03	2.80
FFr Accum		FFr-	61.773		—	4.30
FFr Dist		FFr-	54.497		—	4.30
HK$ Accum		HK$-	109.81		+0.03	4.40
HK$ Dist		HK$-	100.34		+0.04	4.40
IR£ Accum		I£-	11.385		—	3.90
IR£ Dist		I£-	10.094		—	3.90
Lire Accum		L-	17962		+12	7.00
Lire Dist		L-	15260		+6	7.00
NZ$ Accum		NZ$-	34.486		-0.018	5.60
NZ$ Dist		NZ$-	30.348		+0.016	5.60
NKr Accum		NKr-	104.38		+0.04	4.00
NKr Dist		NKr-	100.80		+0.03	4.00
PEs Accum		£s-	2789.6		-1.5	8.80
PEs Dist		£s-	2557.4		-1.3	8.80
S$ Accum		S$-	35.398		+0.001	0.50
S$ Dist		S$-	35.068		+0.001	0.50
SPts Accum		Pts-	7367.3		+1.2	6.70
SPts Dist		Pts-	1628.5		+1.0	6.70
£ Accum		£-	11.903		-0.004	4.40
£ Dist		£-	10.088		-0.003	4.40
SKr Accum		SKr-	106.80		-0.05	6.70
SKr Dist		SKr-	101.45		+0.05	6.70
SFr Accum		SFr-	28.573		-0.005	2.80
SFr Dist		SFr-	25.169		+0.008	2.80
US$ Accum		$-	21.539		+0.007	3.90

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI 0481 710461
Emerging World Tst Fd. 5 | $10.70 10.70 11.60

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd
Santa Hse, Le Truchot, St Peter Port 0481 724983

Lloyds Bank Fund Managers (Guernsey) Ltd

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 0481 722983

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 0481 726268
Prudential Money Funds Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 0481 713713

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Optimism about EU poll helps Swedish krona

The Swedish krona was the main mover on the foreign exchanges yesterday as the currency continued to benefit on optimism about a positive vote next month to join the European Union, *writes Philip Gawith.*

The krona was also helped by details of a planned fiscal austerity programme to deal with the country's large budget deficit. The currency rose as high as SKr4.71, from Tuesday's close of SKr4.723, before giving up some ground to finish at SKr4.723.

In quiet trading conditions, the dollar moved in a fairly narrow range, untroubled by the day's data releases. It closed in London at DM1.4953, from DM1.492, and at Y97.035, from Y96.86.

Sterling had an uneventful day, with the trade weighted index closing at 80.5 from 80.7.

The Bank of Portugal trimmed two money market rates, cutting its regular rate for draining funds to 8.5 per cent, from 8.75 per cent, and its average repo rate to 8.875 per cent from 9 per cent. The escudo closed unchanged against the D-Mark at Es102.1.

In Greece the interest rate on 12 month treasury bills fell by 50 basis points to 19 per cent. The rate on three and six month bills was cut by 150 basis points to 16.5 per cent and 17.5 per cent respectively.

■ Although the latest opinion polls show sentiment towards the EU to be evenly balanced in Sweden, markets have priced in a pro-EU vote at the November 13 referendum.

Also supporting the currency is the new government's apparent commitment to reduce the budget deficit. The most recent development was the call by Mr Goran Persson, the new social democrat finance minister, for all government departments to cut spending by 20 per cent.

The government is also committed to cutting SKr150bn off the deficit by 1998, though there is some scepticism about whether lower interest rates and higher employment provide a plausible basis for expecting the deficit to fall.

The prime minister, Mr Ingvar Carlsson, is also on the record saying that if the Swedes do not vote yes at the referendum, then even greater policy cuts will be required.

Other Nordic currencies were also firmer on the back of the krona, with the Finnish markka touching a high of FM3.025 to the D-Mark.

■ The Bundesbank council meets today for the first time since the German elections, amid conflicting views on the policy outlook. Official rates were last moved on May 11, while the repo rate has been at 4.85 per cent since July 27.

A Reuters poll found that of 20 economists surveyed, only three of the nine still forecasting further monetary easing expect this in 1994. On Tuesday economists at six leading institutes said there should be no more major reductions in official rates.

Ms Alison Cottrell, international economist at Kidder Peabody in London, said there was a reasonable prospect of the Bundesbank announcing a further fixed repo, but trimming the rate by, say, five basis points. She said month-end volatility made a variable repo unlikely, as this could result in rates being bid up, confounding the signals the bank may want to send.

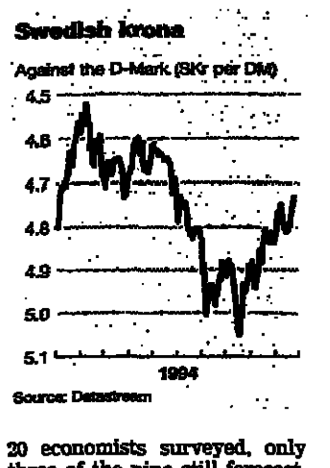
But yesterday evening, Mr Johann Wilhelm Gaddum, the Bundesbank deputy president, fanned speculation about a variable tender. He said: "One should not rashly conclude that any switch in the form of the tender means a change in the line on interest rates."

■ The dollar had a steady day, but sentiment remains resolutely negative. Mr Neil MacKinnon, chief economist at Citibank, commented: "DM1.50 is now turning out to be a resistance level, rather than a support level."

Mr George Magnus, international economist at S.G. Warburg, provided a counsel of despair, saying: "The dollar (is) now equally vulnerable to strong and weak economic data." He said strong data would fuel fears of higher rates, adding to concerns that the Fed had tightened policy too little, too late, while weaker data would reinforce the view that the Fed would delay a further tightening.

Mr Magnus concluded: "The dollar will be vulnerable either until confidence that inflation will be kept under control is restored or until the currency forces the authorities' hand."

■ The Bank of England cleared a £1.35bn shortage in UK money markets at established rates. Overnight money traded between 3¾ and 5 per cent, and three month LIBOR was unchanged at 6 per cent.



■ Pound in New York

Oct 26	Latest	Prev. close
£ spot	1.6340	1.6380
1 mth	1.6333	1.6373
3 mth	1.6327	1.6368
1 yr	1.6215	1.6261

■ OTHER CURRENCIES

Oct 26	£	$
Hungary	172.001 - 172.238	105.380 - 105.480
Iran	2864.00 - 2868.00	1748.00 - 1750.00
Kuwait	0.4835 - 0.4850	0.2962 - 0.2970
Poland	37459.0 - 37499.5	22950.0 - 22965.0
Russia	5000.65 - 5008.80	3063.00 - 3068.00
U.A.E.	5.9876 - 5.9995	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2071	+0.0078	952 - 189	17.2353	17.1775	17.2027	0.3	17.1909	0.4	-	-	115.4
Belgium	*(BFr)*	*50.2271*	*-0.0851*	*934 - 607*	*50.4200*	*50.1810*	*50.2421*	*-0.4*	*50.1421*	*0.7*	*49.7471*	*1.0*	117.2
Denmark	(DKr)	9.5333	-0.0029	288 - 378	9.5777	9.5260	9.5286	0.6	9.5473	-0.6	9.5767	-0.5	117.4
Finland	(FM)	7.4045	-0.0204	947 - 142	7.4580	7.3940	-	-	-	-	-	-	89.7
France	(FFr)	8.3549	-0.0073	507 - 591	8.3915	8.3502	8.3545	0.1	8.3491	0.3	8.2882	0.8	110.8
Germany	(DM)	2.44115	-0.0008	401 - 422	2.4497	2.4400	2.44	0.6	2.4365	0.8	2.4038	1.5	126.8
Greece	(Dr)	376.385	+0.025	059 - 710	377.478	375.828	-	-	-	-	-	-	-
Ireland	(I£)	1.0100	-0.0027	093 - 107	1.0152	1.0090	1.0098	0.2	1.0095	0.2	1.0112	-0.1	106.0
Italy	(L)	2494.09	-5.97	294 - 523	2505.28	2482.25	2500.64	-3.2	2511.99	-2.9	2563.59	-2.8	74.8
Luxembourg	(LFr)	50.2271	-0.0851	934 - 607	50.4200	50.1810	50.2421	-0.4	50.1421	0.7	49.7471	1.0	117.2
Netherlands	(Fl)	2.7363	-0.003	351 - 374	2.7496	2.7364	2.7351	0.5	2.7315	0.7	2.6972	1.4	121.3
Norway	*(NKr)*	*10.6108*	*-0.0114*	*060 - 155*	*10.6708*	*10.6059*	*10.6102*	*0.1*	*10.6137*	*-0.1*	*10.6144*	*0.0*	*88.6*
Portugal	(Es)	249.291	-0.044	074 - 507	251.642	249.066	251.021	-8.3	254.201	-7.9	-	-	-
Spain	(Pta)	203.261	-0.549	127 - 394	204.196	203.023	203.621	-2.1	208.776	-10.9	206.856	-1.8	88.1
Sweden	(SKr)	11.5396	-0.0099	307 - 484	11.6014	11.4950	11.5606	-2.2	11.6076	-2.4	11.7956	-2.2	76.9
Switzerland	(SFr)	2.0398	+0.0021	386 - 410	2.0478	2.0379	2.0369	1.7	2.0305	1.8	1.9897	2.5	122.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.5
Ecu	-	1.2812	-0.0032	802 - 822	1.2870	1.2800	1.2811	0.1	1.2811	0.0	1.2753	0.5	-
SDR†	-	0.912639	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6325	-0.0043	320 - 329	1.6400	1.6313	-	-	-	-	-	-	-
Brazil	*(R)*	*1.3950*	*-0.0011*	*939 - 961*	*1.3967*	*1.3935*	-	-	-	-	-	-	-
Canada	(C$)	2.1993	-0.0069	984 - 002	2.2088	2.1980	2.1986	0.4	2.197	0.4	2.1916	0.4	87.0
Mexico	(New Peso)	5.5907	-0.0199	854 - 959	5.6220	5.5850	-	-	-	-	-	-	-
USA	($)	1.6325	-0.0041	322 - 329	1.6398	1.6310	1.6319	0.5	1.6313	0.3	1.6206	0.7	60.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1992	-0.0233	980 - 004	2.2202	2.1980	2.1992	0.0	2.2005	-0.2	2.2166	-0.9	-
Hong Kong	(HK$)	12.6156	-0.032	120 - 191	12.6711	12.6039	12.6147	0.1	12.6142	0.0	12.6072	0.1	-
India	(Rs)	51.2131	-0.1302	980 - 282	51.4360	51.1690	-	-	-	-	-	-	-
Japan	(Y)	156.415	-0.116	340 - 489	158.970	158.320	157.975	3.3	156.96	3.7	151.645	4.3	189.2
Malaysia	(M$)	4.1651	-0.006	634 - 668	4.1790	4.1622	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6620	-0.01	592 - 647	2.6764	2.6590	2.6659	-1.8	2.6737	-1.8	2.696	-1.3	-
Philippines	(Peso)	40.6506	-0.4307	602 - 409	40.7410	40.7545	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1238	-0.0149	221 - 255	6.1502	6.1177	-	-	-	-	-	-	-
Singapore	(S$)	2.4040	-0.0031	026 - 053	2.4097	2.4025	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7126	-0.0038	103 - 152	5.7303	5.7055	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4323	-0.0327	145 - 500	6.4632	6.4138	-	-	-	-	-	-	-
South Korea	(Won)	1301.55	-5.76	103 - 207	1307.87	1300.56	-	-	-	-	-	-	-
Taiwan	(T$)	42.5565	-0.0841	433 - 697	42.7307	42.5202	-	-	-	-	-	-	-
Thailand	(Bt)	40.6669	-0.1033	418 - 919	40.8230	40.6360	-	-	-	-	-	-	-

†SDR rates for Oct 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5400	+0.0315	350 - 450	10.5450	10.5100	10.54	0.0	10.5398	0.0	10.465	0.7	104.6
Belgium	(BFr)	30.7680	+0.026	520 - 800	30.8600	30.7340	30.766	0.0	30.736	0.4	30.686	0.3	106.1
Denmark	(DKr)	5.8395	+0.013	380 - 410	5.8524	5.8295	5.8432	-0.8	5.8515	-0.8	5.8945	-0.9	105.7
Finland	(FM)	4.5355	-0.001	305 - 405	4.5505	4.5305	4.5362	-0.2	4.531	0.4	4.5355	0.0	83.8
France	(FFr)	5.1177	+0.0085	162 - 192	5.1390	5.1118	5.1198	-0.5	5.1177	0.0	5.1115	0.1	107.0
Germany	(D)	1.4953	+0.0033	950 - 956	1.5002	1.4931	1.4954	-0.1	1.4936	0.5	1.4833	0.8	107.5
Greece	(Dr)	230.650	+0.6	400 - 700	231.150	230.080	230.84	-1.5	231.375	-1.4	233.825	-1.4	68.5
Ireland	(I£)	1.6164	+0.0001	156 - 171	1.6172	1.6100	1.6163	0.0	1.6165	0.0	1.6034	0.8	-
Italy	(L)	1527.73	+0.23	735 - 810	1533.25	1525.75	1532.28	-3.6	1539.73	-3.1	1581.23	-3.5	75.1
Luxembourg	(LFr)	30.7680	+0.026	520 - 800	30.8600	30.7340	30.766	0.0	30.736	0.4	30.686	0.3	106.1
Netherlands	(Fl)	1.6761	+0.0024	757 - 764	1.6850	1.6734	1.6762	-0.1	1.6743	0.4	1.6636	0.7	105.0
Norway	*(NKr)*	*6.4995*	*+0.0095*	*980 - 010*	*6.5247*	*6.4940*	*6.5032*	*-0.7*	*6.516*	*-1.0*	*6.552*	*-0.8*	96.8
Portugal	(Es)	152.700	+0.36	600 - 800	153.750	152.340	153.375	-5.3	154.45	-4.6	158.45	-3.8	95.3
Spain	(Pta)	124.505	-0.02	450 - 560	124.930	124.310	124.78	-2.7	123.76	2.4	127.645	-2.5	80.9
Sweden	(SKr)	7.0684	+0.0118	645 - 723	7.0871	7.0349	7.0831	-2.5	7.1159	-2.7	7.2809	-3.0	82.5
Switzerland	(SFr)	1.2485	+0.0045	480 - 499	1.2542	1.2465	1.248	1.4	1.2445	1.6	1.227	1.8	108.4
UK	(£)	1.6326	-0.0041	322 - 329	1.6398	1.6310	1.6319	0.5	1.6313	0.3	1.6206	0.7	89.1
Ecu	-	1.2743	-	735 - 750	1.2750	1.2692	1.2736	0.7	1.2732	0.3	1.2708	0.3	-
SDR†	-	1.49545	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-0.0001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	*(R)*	*0.8545*	*+0.0015*	*540 - 550*	*0.8550*	*0.8540*	-	-	-	-	-	-	-
Canada	(C$)	1.3472	-0.002	469 - 474	1.3485	1.3468	1.3471	0.0	1.3467	0.1	1.352	-0.4	83.6
Mexico	(New Peso)	3.4245	-0.0035	220 - 270	3.4310	3.4220	3.4255	-0.4	3.4273	-0.3	3.4347	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3471	-0.0108	466 - 475	1.3569	1.3466	1.3474	-0.2	1.3481	-0.3	1.3554	-0.6	84.7
Hong Kong	(HK$)	7.7275	-	270 - 280	7.7280	7.7270	7.7266	0.1	7.7262	0.1	7.736	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	97.0350	+0.175	100 - 600	97.3200	96.8500	96.805	2.8	96.215	3.4	93.58	3.6	150.4
Malaysia	(M$)	2.5513	+0.0028	508 - 518	2.5520	2.5462	2.5421	4.3	2.5306	3.2	2.6043	-2.1	-
New Zealand	(NZ$)	1.6306	-0.002	292 - 319	1.6337	1.6292	1.6316	-0.7	1.6334	-0.7	1.6387	-0.5	-
Philippines	(Peso)	24.9000	-0.2	500 - 500	25.3000	24.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7511	+0.0005	508 - 513	3.7513	3.7507	3.7524	-0.4	3.7565	-0.6	3.7751	-0.6	-
Singapore	(S$)	1.4725	+0.0018	720 - 730	1.4740	1.4695	1.4712	1.1	1.4693	0.9	1.4625	0.7	-
S Africa (Com.)	(R)	3.4993	+0.0065	985 - 000	3.5095	3.4900	3.5148	-5.3	3.5431	-5.0	3.6198	-3.4	-
S Africa (Fin.)	(R)	3.9400	-0.01	300 - 500	3.9550	3.9300	3.9737	-10.3	4.0325	-9.4	-	-	-
South Korea	(Won)	797.250	-1.495	100 - 400	798.300	797.100	800.25	-4.5	803.75	-3.3	822.25	-3.1	-
Taiwan	(T$)	26.0675	+0.0147	650 - 700	26.0700	26.0400	26.0875	-0.9	26.1275	-0.9	-	-	-
Thailand	(Bt)	24.9100	-	000 - 200	24.9200	24.8970	24.9825	-3.5	25.11	-3.2	25.59	-2.7	-

†SDR rate for Oct 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 25. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5¼	5⅝	6⅛	7.40	4.50	-
week ago	4⅞	5	5⅛	5½	6⅛	7.40	4.50	-
France	5⅛	5⅛	5⅝	5⅞	6⅝	5.00	-	6.75
week ago	5⅝	5⅛	5⅝	5⅞	6⅝	5.00	-	6.75
Germany	4.75	4.85	5.15	5.30	5.65	6.00	4.50	4.85
week ago	4.88	4.95	5.15	5.25	5.58	6.00	4.50	4.85
Ireland	5⅛	5¼	5⅞	6⅛	7⅛	-	-	6.25
week ago	4⅞	5¼	5⅞	6⅛	7⅛	-	-	6.25
Italy	8¼	8⅝	8¾	9¼	10⅛	-	7.50	8.20
week ago	8⅛	8⅝	8¾	9¼	10⅛	-	7.50	8.20
Netherlands	4.84	4.97	5.20	5.35	5.74	-	5.25	-
week ago	4.84	4.97	5.17	5.30	5.69	-	5.25	-
Switzerland	3⅞	3⅞	4⅛	4¼	4⅝	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4⅛	4⅝	6.625	3.50	-
US	4⅞	4⅞	5⅜	5⅞	6½	-	4.00	-
week ago	4⅞	4⅞	5½	5¾	6¼	-	4.00	-
Japan	2¼	2¼	2⅛	2⅛	2¾	-	1.75	-
week ago	2¼	2¼	2⅜	2½	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5	5⅞	6	6⅛	-	-	-
week ago	-	5	5⅛	5⅞	6⅛	-	-	-
US Dollar CDs	-	4.89	5.38	5.74	6.32	-	-	-
week ago	-	4.89	5.20	5.52	6.10	-	-	-
SDR Linked Ds	-	3⅝	3⅛	3⅝	4	-	-	-
week ago	-	3⅝	3⅛	3⅝	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 5⅝; 6 mths: 6⅛; 1 year 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5¼ - 5⅛	5⅝ - 5½	6⅛ - 6⅛
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6½ - 6¼	6⅞ - 6⅝	7⅝ - 7⅜
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 5⅛	5⅜ - 5¼	5⅞ - 5¾
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅜ - 5¼	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅝ - 5¼	5⅞ - 5⅝	5⅞ - 5⅝	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	9 - 8⅞	9 - 8⅞	9⅛ - 9⅛	10⅛ - 9⅞	10½ - 10	10⅝ - 10⅛
[illegible]						

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.63	4.861	2.011	4966	5.448	21.13	496.2	404.6	22.98	4.060	1.991	4.379	3.252	315.4	2.551
Denmark	(DKr)	52.68	10	8.763	2.561	1.059	2616	2.870	11.13	261.4	213.2	12.09	2.139	1.049	2.307	1.713	166.2	1.344
France	(FFr)	60.11	11.41	10	2.922	1.209	2985	3.275	12.70	298.3	243.2	13.80	2.441	1.197	2.632	1.955	189.6	1.533
[illegible]																		

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.28	0.10	0.12	0.11	0.82	1.48
9350	0.13	0.05	0.08	0.21	1.02	1.69
9375	0.05	0.02	0.05	0.38	1.24	1.91

Est. vol. total, Calls 5743 Puts 9789. Previous day's open int., Calls 334381 Puts 197748

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai.	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank.	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	8		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

CONTRACTS & TENDERS

CRUDE OIL PROCESSING IN ROMANIA

GENERAL NOTICE

RAFIROM S.A. - The Petroleum Holding Group of Companies representing the Romanian Refining Industry is going to organize an international competitive bidding for processing about 130,000 mtons of crude oil per month during December 1994 - November 1995 in its refineries, based on most competitive yields.

International oil companies interested in participating in this competitive bidding are invited to register their interest not later than the 4th of November 1994 by writing to:

PETROLEXPORTIMPORT S.A.
1-3 Magheru Blvd.
Bucharest, Romania
Phone (40-1) 613.30.45
Fax (40-1) 615.65.50
Telex 11519 Petex R
Cable: Petrolexportimport S.A.

The crude oil grades, the yields per each crude oil grade, the bidding documents and the qualification conditions can be obtained from PETROLEXPORTIMPORT S.A. - member of RAFIROM S.A.

COMPANY NOTICE

LEGAL NOTICE

PUBLIC ANNOUNCEMENT

UNIVERSITY OF CAMBRIDGE

Centre for European Legal Studies, Public Lecture by the newly appointed Director of the Centre for European Legal Studies, Prof. elect of European Law, Alan Dashwood, Thursday 3 Nov 1994 at 5pm in the Latimer Rm, Clare College, Cambridge.

TO ADVERTISE YOUR LEGAL NOTICES

Please contact Tina McGorman on +44 71 873 4842 Fax: +44 71 873 3064

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 25 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 25 / Frs.)

[illegible]

DENMARK (Oct 25 / Kr)

[illegible]

FINLAND (Oct 25 / Mka)

[illegible]

FRANCE (Oct 25 / Frs.)

[illegible]

GERMANY (Oct 25 / Dm.)

[illegible]

ITALY (Oct 25 / Lire)

[illegible]

NETHERLANDS (Oct 25 / Fls.)

[illegible]

NORWAY (Oct 25 / Kroner)

[illegible]

SPAIN (Oct 25 / Pts.)

[illegible]

SWEDEN (Oct 25 / Kronor)

[illegible]

SWITZERLAND (Oct 25 / Frs.)

[illegible]

PACIFIC

JAPAN (Oct 25 / Yen)

[illegible]

HONG KONG (Oct 25 / H.K.$)

[illegible]

MALAYSIA (Oct 25 / MYR)

[illegible]

SINGAPORE (Oct 25 / S$)

[illegible]

AUSTRALIA (Oct 25 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Oct 25 / Can $)

4 pm close

[illegible]

767676	Abitib	17⅞	-⅛	$17⅞	17		18200	Pgasus	20¾	+⅛	$20⅞	20⅝
34045	AgnEag	18⅞	-⅛	$18⅞	18¾		14452	PetCan	11⅝	+⅛	$11¾	11⅝
428850	AirCda	8⅛		$8⅛	8		2900	PhilEn	7⅞	-⅛	$7⅞	7⅞
29405	AlbtaE	19⅛	+⅜	$19⅛	19		618441	PiDome	30⅞	-⅝	$31½	30⅞
1853	AlbNG	14⅞	-⅛	$15⅛	14⅞		22050	PowrCp	18½	+⅛	$18½	18⅜
462807	AlcnAl	35¾	+⅜	$35¾	35¼		6860	PowrFn	28½		$28½	28⅜
340298	AmBarr	33⅝	-½	$34⅛	33⅝		1200	Prvigo	5½	+⅛	$5½	d5⅜
8500	AtcoCl	13⅛		$13¼	13		35930	RaynkY	17		$17	16½
360000	Avenor	24⅞	+⅛	$25	24½		200	RefinnS	18⅛		$18⅛	18⅛
24697	BCSugA	8⅞	-⅛	$9	8⅞		250	Rothmn	81½		$83	81½
185800	BC Tel	25	-¼	$25⅛	25		38100	RngOil	8⅛	+⅛	$8⅛	8
307321	BCE	47⅛	+⅛	$47⅛	47		200	ReedSt	28⅛		$28⅛	28⅛
52085	BCE Mb	40⅝	+⅜	$40⅝	40⅛		246886	Ren En	29⅝	+1⅛	$29⅝	28⅞
11640	BGR A	15		$15⅛	15		103900	Repap	6⅝		$6⅝	6⅛
3320	Bmalea	11⅛	-⅜	$11⅝	11⅛		80180	Rigel	16¾	+⅜	$16¾	16⅛
710400	BkMont	25	+⅜	$25	24¾		91646	RioAlg	26⅝	+⅜	$26⅝	26
760538	BkNovS	26¾	+¼	$26⅞	26⅝		621819	RogCmB	19⅛	+⅜	$19¼	19
57682	BeauEx	208	+8	208	200		1186250	RoyBkC x	28	+⅛	$28⅛	27⅞
174900	BmbdrB	21⅝	+⅛	$21⅝	21½		114300	RoyOak	5⅛		$5⅛	5⅜

MONTREAL (Oct 25 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Oct 25 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3065. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. If calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, October 26, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	*5.5m*	538	-2	*NKK*	*3.4m*	*27*	-2
Sharp Corp	4.5m	1780		Toyota Motor	3.2m	2100	+20
Nippon Steel	4.4m	392	+2	Nippon Paper	2.9m	750	+12
Kawasaki Steel	3.6m	437		Nikko Secs	2.8m	1100	+10
Mitsui Co	3.5m	855	+4	Mitsubishi Oil	2.2m	1060	-10

INDICES

	Oct 26	Oct 25	Oct 24	1994 High		1994 Low	
[illegible]							
Japan							
Nikkei 225 (16/5/49)	19746.35	19732.15	19652.37	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	288.80	286.82	288.00	311.71	13/6	258.22	4/1
Topix (4/1/68)	1568.94	1568.40	1575.19	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2194.89	2199.52	2203.55	2542.85	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1105.54	1102.23	1108.07	1314.46	5/1	926.33	4/4

~ Sat Oct 22: Taiwan Weighted Price 6770.86; Korea Comp Ex 1098.90. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 26 - 2009.45 +13.60

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	1838.0	1833.0	+9.0	1852.0	1826.0	33,851	22,685
Nov	1846.5	1840.0	+8.5	1858.0	1834.0	8,993	10,630
Dec	1855.0	1849.0	+9.0	1867.5	1844.0	1,852	26,148

Open interest figures for previous day.

US INDICES

[illegible]

■ RATIOS

	Oct 21	Oct 14	Oct 7	Year ago
Dow Jones Ind. Div. Yield	2.72	2.71	2.79	2.79
	Oct 19	Oct 12	Oct 5	Year ago
S & P Ind. Div. yield	2.36	2.37	2.43	2.42
S & P Ind. P/E ratio	21.11	20.91	20.33	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	462.30	463.40	+1.00	464.50	462.30	86,057	224,299
Mar	467.50	466.60	+0.90	467.50	466.15	1,572	12,193
Jun	-	470.20	-	471.30	-	438	3,095

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	10,995,700	57⅝	-3⅝
Gen Motors	5,500,200	41⅛	+⅜
Ford Motor	4,997,800	29⅝	+⅛
Baxter Int	3,819,000	25	-1½
IBM	2,828,800	73¾	+¾
RJR Nabisco	2,798,700	6⅝	+⅛
Sprint	2,616,400	33⅝	-1½
Gen Elec	2,584,900	47⅞	–
West Elec	2,302,300	13⅞	-⅛
East Kodak	2,160,200	46	+⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 25	Oct 24	Oct 21
New York SE	326.102	282.787	309.335
Amex	17.294	18.484	14.989
NASDAQ	273.493	255.325	320.528
NYSE			
Issues Traded	2,887	2,886	2,887
Rises	791	683	827
Falls	1,411	1,499	1,288
Unchanged	685	704	772
New Highs	15	28	22
New Lows	235	182	124

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close October 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

AME

Have you

Financial Tin

4 pm close October 26

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
9¾	5	Salant Crp			6	25	5¼	5⅛	5⅛	-⅛
49⅞	31⅜	Sallie Mae	1.40	4.4	6	3142	31⅞	31½	31⅝	+⅛
13⅞	11⅞	Salomon Br x	0.36	2.9		206	12⅜	12¼	12¼	
52¼	37	Salomn	0.64	1.7	5	1101	38½	38⅛	38⅜	+⅛
25	17½	SnDgGE	1.52	7.7	10	570	19⅞	19¾	19¾	-⅛
10	7½	SantaFeEts	0.16	1.8	9	278	9⅛	8⅞	8⅞	-¼
17⅞	13½	SFeGd				4620	15½	15⅜	15⅜	-⅛
40	31½	SantaFePac x	2.80	8.6	15	38	32⅝	32⅜	32½	
26¼	12⅛	SanFeP	0.10	0.7	7	2437	14½	14⅛	14⅛	-⅛
26	19⅝	SaraLee	0.64	2.7	16	16483	24¼	23⅝	24	+1⅛
50⅛	42⅛	Scana Corp	2.82	6.7	11	1988	42¾	d42	42⅛	-⅝
20½	12½	Scecrp	1.00	7.4	9	9389	13¾	13⅜	13½	+⅛
43½	31¾	ScherrRP			32	145	42⅛	42	42¼	-⅛
72½	54½	SchrPl	2.04	2.9	18	3557	70½	69⅞	70⅜	+½
63	50¾	Schlmb	1.20	2.2	23	5843	55¾	54	55½	+1⅝
33⅞	23¾	Schwab(C) x	0.28	0.9	15	2534	33¼	32¼	32⅝	-⅜
10¾	6⅞	Schwitzer			27	121	9⅞	9½	9½	-¼
22⅝	12⅞	SciAtl	0.06	0.3	43	10471	22¼	20¾	21⅝	-⅝
16⅞	13	Scotman	0.10	0.6	15	623	16	15⅞	16	+⅛
68⅛	37¼	ScottP	0.80	1.3	19	6618	63⅞	61⅝	63⅞	+2⅛
26⅝	18⅝	ScuddrNAsF	0.21	0.9		70	24⅛	24	24⅛	+⅛
12⅝	9⅛	ScuddrNEuF	0.16	1.7		290	9⅝	9½	9⅝	+⅛
18¼	13½	SeaCnB	0.70	4.5	7	30	15½	15⅜	15½	+¼
16½	14¾	SeaC1.4625	1.46	9.8		10	15	d14⅝	15	+¼
32⅝	28¼	Seagrm	0.60	2.0	38	2813	30¼	29¾	30	
29¾	21⅞	Seagull En			30	4489	23⅝	22⅞	23	+⅛
36¼	26⅝	Sealed Air			25	266	34	33¼	33¼	-⅜
55⅛	42⅛	SearsR	1.60	3.5	7	4067	47⅛	45⅞	46⅛	-¾
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close October 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close October 26

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMERICA

Early gains evaporate on interest rate fears

Wall Street

US stocks attempted to rally yesterday morning but the early gains evaporated amid nagging concerns over interest rates, *writes Frank McCurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.69 lower at 3,847.90, while the more broadly based Standard & Poor's 500 was up 0.48 at 462.00.

On the NYSE, declining issues were holding an 11-to-eight edge over advances by early afternoon, in moderate volume of 172m shares

In the leading markets, the American SE composite was off 0.13 at 452.72, but the Nasdaq composite added 2.24 to 760.50.

Stocks opened solidly higher, with the market trying to reverse direction after four losing sessions. There was relative tranquility in early trading in the bond and foreign exchange markets, and the day's only piece of economic news failed to excite much interest.

The commerce department reported that factory orders of durable goods had risen just 0.1 per cent in September after a big gain in the previous month. Analysts had forecast a 0.6 per cent rise, but with most investors holding off on fresh commitments, at least until after Friday's reading on third-quarter economic growth, the data had virtually no impact.

Concerns over an imminent move by the Federal Reserve to lift short-term rates, and the move in long-term rates above 8.00 per cent, were never too far from the market, and by early afternoon the jitters got the best of the market, and most share prices were showing modest losses.

The morning brought a few more pleasant earnings surprises. Most notably, Ford showed an impressive gain in net income and revenues, in contrast with General Motors, which last week revealed details of a disappointing third quarter. But its share price could only manage to inch $⅛ ahead to $29⅝. GM was unchanged at $41⅞, and Chrysler added $⅛ at $47⅞.

Tenneco, a diversified industrial group, posted net income which had nearly doubled from the year earlier and topped the consensus forecast of analysts. However, the issue, up $⅛ at $43⅞, hardly budged. By contrast, its Case farm equipment business, which reports separately, jumped $1⅛ to $20⅞ on strong results.

Sara Lee, a food processor, also impressed investors with solid gains in net income and revenues in its first fiscal quarter. Its share price climbed $1⅛ to $24. Borden added $⅛ to $13⅝ even though it reported another loss and slashed its dividend. Philip Morris gained $1⅛ to $63⅞. In pharmaceuticals, McKesson surged $5⅛ to $105⅞ after Eli Lilly extended the waiting period for its tender offer for the company's shares until November 3. Lilly dropped $1 to $59⅞.

Canada

Toronto stocks turned sour at midday after opening stronger on technical grounds. The TSE 300 composite index eased 1.27 to 4,241.40 in volume of 17.95m shares valued at C$337m.

Eight of the market's 14 sub-indices fell, led by precious metals which dipped 66.08 to 10,396.49. Among the winners the base metals group backed off from earlier highs, trading 31.60 higher at 4,191.44 after 4,210.49 with Inco up C$⅞ at C$40⅞ in busy trade.

Other active stocks included Royal Bank of Canada, flat at C$27⅞ with 1m shares traded, and Noranda Forest, up C$⅛ at C$11⅛ in 905,365 shares.

Brazil

Shares in São Paulo were up 1.8 per cent in moderate mid-session trading as investors continued to look for bargains after the market's recent fall.

The Bovespa index of the 55 most-active shares was up 845 at 46,279 by 1 pm. Turnover was R$183.3m ($214.4m).

In spite of the rally, brokers said that trading was still aimless.

S African industrials make gains

Shares on the Johannesburg Stock Exchange ended mixed with gold shares closing lower as buyers turned their attention to industrials.

The industrial index turned around from a weak opening to close 34 points up at 6,572, offsetting a 21 point fall on the gold index to 2,280. The overall index improved 5 to 5,706.

Brokers said that buyers returned to industrials on bargain hunting based on the view that the fall in recent days had been overdone.

Among golds dealers said prices continued to drift lower as the price of bullion failed to recover above $390 an ounce.

Barlows rose R1 at R32.00 while the petrochemical group, Sasol, finished 65 cents higher at R35.90.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Oct 21 1994	% Change over week	% Change on Dec '93	Local currency terms: Oct 21 1994	% Change over week	% Change on Dec '93
Latin America	(208)	737.13	-3.8	+13.3			
Argentina	(25)	938.10	-0.6	-5.6	575,643.77	-0.4	-5.6
Brazil	(57)	390.01	-7.9	+67.6	1,241,909,392	-5.1	+1,122.1
Chile	(25)	837.13	+0.7	+51.7	1,378.14	+0.4	+44.6
Colombia[1]	(11)	855.12	-1.3	+32.6	1,273.40	-0.6	+37.4
Mexico	(67)	961.80	-2.6	-4.4	1,416.86	-2.6	+5.0
Peru[2]	(11)	188.71	-0.5	+56.0	256.64	-0.8	+61.4
Venezuela[3]	(12)	537.50	-4.5	-9.2	2,096.06	-4.5	+47.5
Asia	(557)	279.48	-0.3	-4.0			
China[4]	(18)	102.99	-1.7	-31.0	111.01	-1.7	-32.4
South Korea[5]	(156)	150.97	-2.9	+27.8	158.27	-3.0	+26.1
Philippines	(19)	322.38	+5.3	-5.3	392.46	+3.9	-11.6
Taiwan, China[6]	(90)	156.99	+3.9	+16.1	153.39	+3.4	+14.8
India[7]	(76)	133.89	-1.8	+14.9	149.20	-1.8	+15.8
Indonesia[8]	(37)	109.52	-1.1	-12.2	129.21	-1.2	-9.2
Malaysia	(104)	307.38	-1.5	-9.3	289.68	-1.8	-14.0
Pakistan[9]	(15)	415.98	-1.7	+7.2	576.43	-1.7	+9.5
Sri Lanka[10]	(5)	196.75	+2.0	+11.0	208.88	+1.5	+8.4
Thailand	(55)	450.47	+2.2	-5.7	445.37	+1.8	-7.8
Euro/Mid East	(125)	115.48	-4.0	-31.8			
Greece	(25)	224.67	-0.2	-1.3	350.19	-1.5	-8.9
Hungary[11]	(5)	183.72	+2.9	+10.2	233.25	+1.7	+15.5
Jordan	(13)	153.80	+0.4	-7.1	224.05	-0.5	-6.4
Poland[12]	(12)	575.40	+0.7	-29.6	826.52	-0.2	-25.0
Portugal	(25)	128.37	+2.6	+12.8	135.00	+0.8	-2.3
Turkey[13]	(40)	108.13	-10.3	-49.1	1,809.95	-8.6	+24.4
Zimbabwe[14]	(5)	267.95	+1.7	+32.6	328.14	+1.7	+53.6
Composite	(890)	361.36	-2.3	+1.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

In common with the Asian region in general the Philippine equity market has seen a rollercoaster year's trading so far, although in recent weeks it seems to have regained some composure, *writes John Pitt.* After a gain of 150 per cent in 1993 the stock market index fell sharply in the early months of the year on a combination of profit-taking and alarm over the rise in US interest rates. During the summer a number of IPOs drained some $1.7bn of liquidity, depressing investor sentiment further, but confidence has returned recently on the back of strong first half company earnings and good economic prospects.

Kim Eng Securities is optimistic on the future direction of equities in Manila and expects corporate earnings to grow by 53.3 per cent and 34.5 per cent in 1994 and 1995 respectively. The broker forecasts a year-end index level of 3,600, compared to yesterday's close of 3,068.

● The IFC has launched three new tradeable indices, the IFC100, Asia50 and Latin50, which comprise the largest and most actively traded stocks in the world's emerging markets. The indices, calculated daily in dollar terms, are, says the IFC, "designed to be reliable indicators of day-to-day stock price movement in the overall asset class and in two of the major geographic regions".

The market capitalisation of the IFC100 was $222.4bn at the end of September, compared to a market capitalisation of $501.9bn for the IFC investable composite.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 25 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 24 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.41	-0.8	154.37	104.34	132.19	153.90	-0.7	3.60	171.71	156.39	105.52	133.64	155.05	189.15	149.36	154.59
Austria (16)	180.52	-0.9	163.53	110.53	140.02	140.08	-1.2	1.15	182.25	165.98	111.99	141.84	141.79	198.89	167.46	178.86
Belgium (35)	168.75	-1.1	152.86	103.32	130.89	127.93	-1.4	4.32	170.66	155.43	104.87	132.82	129.75	177.04	149.33	150.39
Canada (103)	135.79	-0.3	123.00	83.14	105.33	132.66	-0.6	2.55	136.23	124.07	83.71	106.02	133.39	145.31	120.54	131.00
Denmark (33)	255.76	-1.2	231.68	156.59	198.39	202.68	-1.6	1.46	258.80	235.70	159.04	201.42	205.95	275.79	230.27	238.54
Finland (24)	197.01	-1.7	178.46	120.62	152.81	187.58	-2.2	0.76	200.40	182.51	123.15	165.96	191.86	200.40	116.85	125.08
France (101)	166.16	-0.6	150.52	101.73	128.89	133.17	-1.0	3.26	167.18	152.26	102.73	130.11	134.53	185.37	159.34	171.85
Germany (58)	140.86	-1.9	127.60	86.24	109.26	109.26	-2.2	1.89	143.60	130.78	88.24	111.76	111.76	160.40	126.37	134.82
Hong Kong (56)	375.91	-1.1	340.53	230.16	291.58	372.94	-1.1	3.33	380.03	346.11	233.53	295.77	377.02	506.56	341.29	349.78
Ireland (14)	205.68	-0.9	186.32	125.93	159.54	179.31	-1.5	3.53	207.50	188.98	127.51	161.49	182.03	216.60	171.66	172.30
Italy (59)	76.79	-2.4	69.56	47.02	59.56	87.60	-2.6	1.79	78.66	71.64	48.34	61.22	89.92	97.78	57.88	70.87
Japan (468)	162.38	-0.1	147.09	99.42	125.95	99.42	-0.4	0.77	162.46	147.96	99.83	126.44	99.83	170.10	124.54	154.51
Malaysia (97)	545.78	-0.4	494.40	334.16	423.36	535.69	-0.6	1.57	547.81	498.93	336.64	426.36	538.70	621.63	430.71	460.62
Mexico (18)	2176.59	-2.1	1971.66	1332.65	1688.32	8157.87	-1.8	1.25	2223.29	2024.86	1366.23	1730.32	8307.35	2647.06	1696.28	1963.50
Netherland (19)	215.73	-0.4	195.42	132.09	167.34	164.80	-0.7	3.51	216.64	197.31	133.13	168.61	165.92	219.75	187.01	194.59
New Zealand (14)	73.92	0.0	66.96	45.26	57.34	64.08	0.0	3.79	73.94	67.34	45.44	57.55	64.08	77.59	59.22	65.68
Norway (23)	206.44	-0.8	187.00	126.39	160.13	181.85	-1.1	1.62	208.00	189.43	127.82	161.88	183.84	211.74	185.52	183.38
Singapore (44)	396.91	-0.5	359.55	243.02	307.88	269.00	-0.7	1.57	399.01	363.40	245.20	310.55	270.90	399.01	294.66	327.48
South Africa (59)	338.46	-0.3	306.59	207.23	262.53	292.21	-0.9	2.19	339.56	309.25	208.66	264.26	295.01	342.00	202.72	214.22
Spain (38)	139.83	-1.1	126.67	85.61	108.46	131.91	-1.4	4.42	141.44	128.82	86.92	110.08	133.78	155.79	128.88	144.41
Sweden (36)	241.05	-0.1	218.36	147.59	186.98	251.81	-0.8	1.59	241.37	219.83	148.33	187.86	253.94	241.37	175.83	201.95
Switzerland (47)	164.47	-1.1	148.99	100.70	127.58	126.95	-1.2	1.91	166.30	151.46	102.19	129.43	128.52	176.56	143.64	145.90
United Kingdom (204)	199.80	-0.4	180.99	122.33	154.98	180.99	-0.9	4.20	200.64	182.73	123.30	156.16	182.73	214.96	181.11	191.97
USA (515)	188.33	0.1	170.60	115.31	146.08	188.33	0.1	2.69	188.11	171.32	115.59	146.40	188.11	196.04	178.95	189.20
EUROPE (707)	171.31	-0.9	155.19	104.89	132.88	146.03	-1.3	3.19	172.84	157.41	106.21	134.52	147.93	178.58	154.79	162.35
Nordic (116)	232.32	-0.7	210.45	142.24	180.21	207.70	-1.3	1.43	233.91	213.04	143.74	182.05	210.37	233.91	173.19	191.57
Pacific Basin (747)	171.39	-0.2	155.26	104.94	132.94	110.10	-0.5	1.09	171.67	156.35	105.49	133.61	110.63	176.86	134.79	161.58
Euro-Pacific (1454)	171.23	-0.5	155.11	104.84	132.82	124.64	-0.8	1.98	172.04	156.68	105.72	133.89	125.67	175.14	143.88	161.79
North America (618)	185.06	0.1	167.64	113.31	143.55	184.48	0.1	2.87	184.88	168.38	113.61	143.89	184.32	192.73	175.67	185.50
Europe Ex. UK (503)	152.44	-1.2	138.09	93.33	118.24	125.62	-1.5	2.58	154.23	140.46	94.77	120.03	127.50	158.12	135.94	143.23
Pacific Ex. Japan (279)	259.46	-0.7	235.08	158.87	201.28	230.57	-0.8	2.84	261.41	238.08	160.64	203.45	232.41	298.21	230.23	230.23
World Ex. US (1634)	173.22	-0.5	156.91	106.06	134.36	128.45	-0.8	1.99	174.06	158.52	106.96	135.46	129.52	176.65	145.58	162.40
World Ex. UK (1945)	175.02	-0.3	158.54	107.16	135.75	143.40	-0.6	2.10	175.47	159.81	107.83	136.56	144.05	178.59	155.96	168.22
World Ex. So. Af. (2090)	176.16	-0.3	159.57	107.85	136.64	145.78	-0.5	2.31	176.64	160.87	108.55	137.47	146.50	180.03	158.54	170.12
World Ex. Japan (1681)	187.20	-0.4	169.58	114.62	145.21	174.61	-0.5	2.86	187.89	171.12	115.46	146.23	175.55	195.20	178.34	180.64
The World Index (2149)	177.20	-0.3	160.52	108.50	137.45	146.86	-0.5	2.30	177.89	161.83	109.19	138.29	147.60	180.80	158.85	170.32

Latest prices were unavailable for this edition.

EUROPE

Decline in premium on UBS registered

The lack of sustained recovery in the dollar, treasuries and the Dow weighed inevitably on domestic bond markets and on bourses yesterday. Early rebounds in European equities were cut back hard, disappeared altogether or turned into further losses, *writes Our Markets Staff.*

ZURICH took a pragmatic, and painful look at the dollar and a weaker Wall Street, and dropped the SMI index by 17.5 to 2,477.2. Sandoz registered fell SFr10 to a new 1994 low SFr612 after its news of a 3 per cent rise in nine-month sales, and analysts emphasising the way that dollar depreciation has bit into European growth rates this year.

At the same time UBS registered fell SFr13, or 4.4 per cent to SFr282 with the bearers down only SFr5 at SFr1,230, thus reducing the premium on the registered from 19.4 to 14.6 per cent; professionals said that this reflected the increasing prospect of the UBS board, which wants to create a single class of registered share, winning its power struggle with Mr Martin Ebner's BK Vision.

FRANKFURT offered a futures-led, technical rebound on the session, the Dax index rising 45.87, or 2.3 per cent to 2,020.50. About half of the recovery reflected post-bourse gains on Tuesday.

FT-SE Actuaries Share Indices

Oct 26	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1303.62	1304.30	1304.31	1303.35	1304.10	1305.16	1302.92	1300.71
FT-SE Eurotrack 200	1363.82	1365.26	1364.22	1362.62	1363.73	1364.74	1360.57	1358.10
	Oct 25	Oct 24	Oct 21	Oct 20	Oct 19			
FT-SE Eurotrack 100	1306.09	1312.32	1304.75	1324.22	1322.21			
FT-SE Eurotrack 200	1368.47	1372.56	1361.84	1381.65	1379.60			

Base 1000 (26/10/90); High/day: 100 - 1306.29; 200 - 1366.23 Low/day: 100 - 1300.71 200 - 1358.10 † Partial

By the end of the afternoon, however, the mood was looking much less ebullient, with the Ibis-indicated Dax up 13.60 at 2,009.45. The December Dax future moved from 2,030.0, up 13.5 at the session's close to 2,017.5, up a solitary point at the end of the day.

Turnover eased from DM7bn to DM5.5bn. The share of the day was Mannesmann, up DM11 at DM385.50 with a major foreign order reported after a period of weakness.

Mr Michael Geiger at NatWest Securities in London said that NatWest had estimated an earnings rise for Mannesmann from DM28.10 in 1995 to DM44.60 in 1996, by which time more than half of group profits should come from the mobile telephone side of the business.

PARIS stayed in positive territory, the CAC-40 index finishing 7.12 higher at 1,831.54 after a fall from a session high of 1,852. Turnover remained modest at FFr3bn.

Accor was lifted FFr38 to FFr545 following an analysts meeting, and in spite of reporting first half figures earlier in the week which were at the lower end of expectations.

Paribas Capital Markets commented that it had provisionally cut its forecasts for the hotel group, and thought it likely that the dividend would be cut in 1994 and 1995. However, the broker concluded that it was mildly positive on the stock, thinking that most of the bad news was now in the share price although it warned that a big rights issue was likely in the near future.

The group said that it intended to make divestments totalling FFr2.5bn by the end of 1995, and to cut long term debt to FFr22.4bn by the end of this year and to FFr21.5bn by the end of 1995.

AMSTERDAM wavered before the AEX index put on a marginal 0.95 to 399.15, after a high of 401.63.

James Capel observed that Amsterdam had been one of the best European equity markets in the third quarter, helped by better than expected half year results and optimistic management statements. But, the broker warned, following "a very strong period of prolonged outperformance within Europe, the equity market could gradually become the victim of profit-taking and asset reallocation by international investors".

Foreign investors, particularly from the US and UK, turned sellers of the market during the second and third quarters. Capel concluded that while a rally was to be expected in the short-term following the good batch of company reports, a pause in activity was likely in the first quarter of 1995.

Nedlloyd saw more bargain hunting following falls last week, up a further Fl 3.00 or 6 per cent to Fl 53.20. DSM rose Fl 1.90 to Fl 146.80, ahead of next week's third quarter results.

MILAN fell back slightly in a dull session. The Comit index drifted down 3.37 at 610.41.

Trading in Fiat and Generali accounted for about 30 per cent of the day's total turnover of L500bn, with the former rising L5 to L5,995, and the insurer losing L413 to L36,700.

Olivetti shed L42 to L1,752; Goldman Sachs considered the stock fairly valued in the L1,800 to L2,100 range, said that it was maintaining its "market performer" rating on the stock and remarked that the prospects of a rights issue were likely to put a constraint on long term performance.

MADRID registered yet another low for the year, the general index falling 0.65 to 288.65 in turnover of Pta20bn.

There were winners, on the margin. Santander, in banks, and Endesa in utilities produced nine month figures and rose Pta45 to Pta5,010 and Pta20 to Pta5,520 respectively. Santander on profits up 5.6 per cent excluding the Banesto acquisition and Endesa on a 13.5 per cent gain at net level.

WARSAW continued to mourn the imposition of a 0.3 per cent transaction tax, and the Wig index fell for the fourth time in succession, by 237.4 or 2.8 per cent to 8,259.7.

Turnover dropped 17 per cent to 579bn zlotys. The steel trader, Stalexport, fell on its initial listing to 335,000 zlotys cum dividend from an issue price of 340,000.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Shanghai A shares decline by 8.1 per cent

Tokyo

Share prices finished slightly higher in subdued trading ahead of Japan Tobacco's listing today, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index added 14.20 to 19,746.35 after a high of 19,770.75 and a low of 19,705.94. Dealers, who had closed their positions for this month on Tuesday, remained inactive on the last day of trading for October settlements.

Volume remained flat at 218m shares. Only some short term speculators were actively picking up small capital issues. Overseas investors remained inactive due to the continued strength of the yen.

The Topix index of all first section stocks fell 1.46 to 1,566.94 and the Nikkei 300 edged down 0.22 to 286.60. Losers led gainers by 509 to 426 with 222 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 0.68 to 1290.03.

Strong interim earnings results from companies made no difference to their share price performance. Smith New Court Japan reported that equities had already discounted the fiscal year 1994 results, adding that this had been confirmed by the lack of response to upward profit revisions in September. The broker expected the Nikkei to rise to between 21,500 to 22,000 by the end of the calendar year.

Nippon Telegraph and Telephone rose Y4,000 to Y886,000 on reports that a large number of employees had applied for the company's early retirement scheme.

Japan Telecom, which listed last month and is regarded as an indicator of investor confidence towards Japan Tobacco, fell to an intraday low of Y3.72m before closing unchanged at Y3.75m.

Nippon Television Network jumped Y800 to Y24,200 on reports of a sharp increase in profits due to a recovery in advertising revenue.

Domestic institutional investors sold Mitsubishi Oil, which fell Y10 to Y1,060. Ashimori Industry, an maker of air-bags for motor vehicles, rose Y16 to Y670 amid speculation that a large car manufacturer was buying its stock.

Sega Enterprises rose Y70 to Y4,900, recovering earlier losses prompted by concerns over intensifying competition in the video game market.

In Osaka, the OSE average fell 65.46 to 21,952.09 in volume of 38.6m shares. Aoyama Trading fell Y150 to Y2,890 and Shimano, the bicycle parts maker, declined Y100 to Y1,820 on fears of lower profits due to the higher yen.

Roundup

Shanghai's domestic equity market performed more acrobatics yesterday, but for international investors the Pacific Basin was unusually subdued, lifted in places by demand for telecommunications majors.

HONG KONG had the slowest trading session since early July. Turnover dropped from HK$2.37bn to a preliminary HK$1.96bn, the Hang Seng index gained 5.94 at 9,252.44 but declines beat advances by 250 to 180. A good reception to a flat sale by its property unit helped lift Swire Pacific A 75 cents to HK$55.50.

SHANGHAI A shares ended 8.1 per cent lower after a disappointing dividend from Shanghai Lujiazui Finance and Trade Zone Development, regarded as the market's most solid blue-chip. The index shed 62.24 to 702.77 in heavy turnover of Yn2.91bn. Lujiazui was the day's heaviest loser, falling Yn3.60, or 13.1 per cent, to Yn23.90 in volume of 7.21m shares.

SYDNEY's All Ordinaries index fell 4.2 to 2,017.6 in spite of better than expected third quarter consumer price data. QBE, the insurance company, rose 9 cents to A$4.72 after it reported a strong rise in first quarter premiums.

SINGAPORE The Straits Times Industrial index closed down 5.25 points at 2,357.29, with Malaysian OTC stocks and domestic property-related shares both in gentle retreat.

TAIPEI closed lower for the third straight day on falls in the food sector, the weighted index losing 56.52 at 6,685.87.

COLOMBO stabilised after Tuesday's sharp fall on the assassination of an opposition leader, the all share index easing a further 3.12 to 1078.15.

KUALA LUMPUR ended mostly lower but institutional buying in the utility, Telekom Malaysia, helped push the KLSE composite index up 3.31 to 1,105.54. Telekom jumped 60 cents to M$20.80.

BANGKOK rebounded to close at the day's high, helped by technical factors and firmer sentiment in Hong Kong and Japan. The SET index closed 12.49 higher at 1,514.07 in moderate turnover of Bt6.75bn.

WELLINGTON recovered earlier losses to close with the NZSE-40 index 7.69 higher at 2,069.33.